ANNUAL REPORT

2022

RESILIENT
RESOLVE
REVIVE

BANK OF CEYLON

Bankers to the Nation

Resilient
Resolve
Revive

Decades of service as one of the leading banks in the country has built within us, solid reserves of resilience and resolve in navigating many diverse situations and operating climates, in service to our Nation and people. Now, the need of the hour is to seek a sustainable economic revival as well as satisfactory levels of social wellbeing for all. The Bank of Ceylon has committed itself to this goal, bringing to the table all the resilience and resolve necessary to work tirelessly to seek its fruition.

The Bank has led from the front supporting vital stakeholder enterprises particularly in the essential services sector, whilst also looking beyond profit towards strategies and initiatives that will help all stakeholders on this journey. As we look ahead to the future the Bank is committed more than ever, to continue to be a key partner in the revival of Sri Lanka and its people.

BANK OF CEYLON

Bankers to the Nation

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Vision, Mission and Values

BANK OF CEYLON
BOC
Bankers to the Nation

"Bankers to the Nation"

VISION

To be the Nation's preferred bank with a strong global presence providing customer centric innovative financial solutions.

MISSION

To provide highly efficient, customer focused, technologically sophisticated, resilient and innovative financial services to the Nation with global access, empowering employees and enhancing value to the stakeholders.

VALUES

In achieving our vision to be the Nation's preferred bank with a strong global presence, providing customer centric innovative financial solutions, we are committed to upholding our five core values as follows,

- Being customer-centric
- Respecting all forms of diversity
- Committing towards high level of ethics, governance and professionalism
- Focusing towards agility and innovation
- Being accountable for all our actions

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https://www.boc.lk/

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1 About This Report

Presenting Bank of Ceylon's tenth Integrated Annual Report, which covers performance during the year while setting out the Bank's future direction. The Report aims to provide a balanced review of the Company's performance by communicating material information in a concise but comprehensive manner. The Report takes a stakeholder perspective when describing the Bank's performance, with a focus on how the Bank derives value from and delivers value to its stakeholders.

In light of unprecedented changes to the operating environment in the lead up to 2022 and during the year under review; the Report examines in detail the direct and indirect impact of these changes, to the Bank and its stakeholders. This is described in the expanded Operating Context, on pages 43 to 46, and throughout key sections of the Report such as the Business Line Reviews and the Stakeholder Outcomes.

Bank of Ceylon's Annual Report is made available through a variety of channels for ease of access, while meeting the diverse needs of our stakeholders.

These include a digital Annual Report accessible through our website, and a concise video Annual Report that provides a summary of our performance in brief.

Reporting Scope and Boundary

This Integrated Annual Report covers the domestic and overseas operations of Bank of Ceylon (also referred to as "BoC" or "the Bank") and its subsidiaries (collectively referred to as "the Group") during the 12-month period from 1 January 2022 to 31 December 2022.

Key financial aspects represent consolidated information, while non-financial aspects are discussed in context of the Bank, given its dominance within the Group. The reporting boundary remains unchanged from the previous year and there were no significant changes to the Group's size, structure, or supply-chain other than the delisting of Property Development PLC.

As per changes to the Board and the Chief Executive Officer/General Manager before the sign off date of this report, the Report includes a message from the Bank's newly appointed Chairman and General Manager.

Integrity of Information

The Bank follows a combined assurance model to ensure credibility and integrity of external reporting. The Audit Committee and Internal Audit functions are responsible for ensuring the effectiveness of the Group's financial reporting processes and relevant internal controls, while external assurance on the Consolidated Financial Statements is undertaken by the National Audit Office. The Bank's Corporate Management team is accountable to the Board for preparation of the Report. The Report has been prepared with input from the leadership team, cross-functional internal information, and other relevant external information.

Sustainability information published in the Report has been externally assured by Messrs. KPMG. There were no major restatements of non-financial information published in last year.

Precautionary Principle

The Bank's approach to mainstreaming sustainability in its core business operations has foundational consideration for the precautionary principle. The Bank's efforts towards sustainable financing, outlined on page 107, detailed actions were taken not only to mitigate potential negative impacts of operations, but also to proactively address local and global challenges to the environment and health and safety of stakeholders.

BANK OF CEYLON
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Bankers to the Nation

Feedback

Please direct suggestions and comments about this Report to **dgmfp@boc.lk**

Scan to view the web and mobile HTML version published online

Basis of Preparation

The Report follows a structure that is in line with guidelines in the <IR> Framework. Disclosure is based on identified material topics. The Bank's process for determining material topics, and their alignment with reporting metrics, is outlined in the Material Issues section on pages 49 to 51.

The Report utilises referencing and signposting throughout pertinent sections to highlight key Environmental, Social, and Governance (ESG) disclosures as per the GRI reporting framework. Contribution to specific UN SDGs in line with the Bank's sustainability ethos; and reference to Capitals prescribed by the <IR> Framework are also included.

Reporting Improvements

- Increased relevance describing the impact of the operating environment on the Bank's stakeholders.
- Increased focus on the Bank's response to the operating environment and stakeholder needs.
- Increased connectivity and reporting against the Bank's strategic framework.
- Improved connectivity across the Report through the use of signposting and referencing to highlight interrelations between Capitals; contribution to the Global Goals; and pertinent ESG metrics in line with the GRI Standards.
- Multi-channel presentation and distribution of the Report (print, digital: HTML, video) to meet varied requirements of stakeholders.

Significant Frameworks Considered

Sri Lanka Accounting Standards issued by CA Sri Lanka.

The Integrated Reporting framework prepared by the International Integrated Reporting Council (IIRC), now part of the IFRS Foundation.

The Integrated Thinking Principles, prepared by the Value Reporting Foundation, now part of the IFRS Foundation.

The Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (GRI Standards).

Industry Standard for Commercial Banks published by the Sustainability Accounting Standards Board (SASB).

Global indicator framework for the SDGs and targets of the 2030 Agenda for Sustainable Development (A/RES/68/261).

ESG Reporting Framework of the CSE.

Gender Parity Reporting Framework of CA Sri Lanka.

Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2017).

Listing Rules of the Colombo Stock Exchange (CSE).

Bank of Ceylon Ordinance No.53 of 1938 and amendments.

Banking Act No. 30 of 1988 and subsequent amendments.

Guidelines issued by CBSL and CSE listing requirements on Financial Statements and other disclosures for Licensed Commercial Banks.

Index of Icon References

Stakeholders

Customers | Employees | Shareholder and Fund Providers | Community and Environment | Business Partners | Regulators

Capitals

Financial Capital | Manufactured Capital | Human Capital | Social and Relationship Capital | Intellectual Capital | Natural Capital

Strategic Pillars

Customer-centricity | Digital Excellence | Rewarding Credit Culture and Healthy Credit Portfolio | Building a High-Performing Team | Stability, Governance and Sustainable Growth

1 Our Approach to Integrated Thinking

Bank of Ceylon takes an integrated approach to every aspect of its business, from stakeholder engagement and identification of material issues, to strategy formulation, risk management and corporate governance processes, operational aspects of business units, and the Bank's reporting and corporate disclosure.

Determining Material Issues

BoC's approach to materiality considers the effects and influence of a dynamic operating environment, the needs of our stakeholders, and the potential opportunities and threats to the Bank.

An integrated overview of the operating context, an analytical assessment of its implications on the Bank and stakeholders, and the Bank's response in seizing opportunities, mitigating threats, and delivering value, is outlined on pages 43 to 51

The Bank's process of Materiality Assessment is described on page 49

Strategy Formulation and Resource Allocation

The Bank's transformational future-focused strategy, efforts for prioritisation and resource allocation, and measurement of progress against our strategy, are detailed from pages 52 to 54

Where We are Now?
SWOT analysis Page 52

Where We Want To Be?
Strategic priorities Page 52

How We Plan to Get There?
Strategic enablers Page 52

Resource Allocation

- Financial Capital
- Social and Relationship Capital
- Manufactured Capital
- Intellectual Capital
- Human Capital
- Natural Capital

Pages 53 to 54

Operationalising Strategy through Our Business Lines

The Bank's business units are the primary agents in delivering our strategy. The business line reviews from pages 65 to 77 take a detailed look at their performance; including responsiveness to the operating environment and stakeholder needs and progress against the strategy.

Retail Banking
Pages 65 to 69

Corporate and Offshore Banking
Pages 70 to 73

International, Treasury, Investment and Overseas Operations
Pages 74 to 77

Managing Risks, Ensuring Sound Corporate Governance and Embedding Sustainability

Bank of Ceylon incorporates a systematic and proactive approach to managing risks, which enables the Bank to consistently deliver value to stakeholders while promoting stability and resilience of the Bank.

Risk Management Report
Pages 140 to 156

A sound corporate governance framework undergirds all of the Bank's actions. It ensures ethical and responsible behaviour across operations, and alignment with the Bank's core values and principles.

Corporate Governance Report
Pages 120 to 139

As an Organisation with both financial and social goals, we incorporate sustainability into all aspects of our operations.

Sustainability aspect
Pages 55 to 59 and 103 to 113

Delivering Value to Our Stakeholders

Bank of Ceylon's overall purpose of creating value for stakeholders is described in detail in the Stakeholder Outcomes section from pages 78 to 139. The section looks at the Bank's key stakeholders and outlines the role of the Bank in fulfilling their expectations, delivering value, and achieving positive outcomes.

Bankers to the Nation

Bank of Ceylon is a fully state-owned bank, and the Country's leading licensed commercial bank, with 23% of the industry's loans and advances and 23% of deposits in 2022. Being a Domestic Systemically Important Bank (D-SIB), BoC is deeply ingrained in the socio-economic landscape of Sri Lanka and has played a pivotal role in driving financial empowerment and economic growth of the Country for more than 80 years.

BoC has an extensive presence throughout Sri Lanka, while also operating three branches in India, the Maldives and Seychelles, a limited-service branch in Hulhumalé, and a fully-owned subsidiary in London, United Kingdom.

About Us

Business Lines

Retail Banking

Bank of Ceylon's Retail Banking segment constitutes a range of lending, deposits, payment services, and transactional banking solutions targeting individuals, entrepreneurs, and SMEs.

Corporate and Offshore Banking

The Bank's Corporate and Offshore Banking segment provides a variety of financial services including corporate funding and deposits, project financing, trade services, and offshore banking facilities for the large segments of the economy: Private sector, State sector and offshore operations.

International, Treasury, Investment and Overseas Operations

This cluster of the Bank's operations consists of International Operations, facilitates on foreign currency related transactions; Treasury Operations, manages liquidity and undertakes fund management; Investment, which handles the Bank's investment activities; and Overseas Operations, reflecting the Bank's overseas branches.

Total assets
LKR 4.3 trillion

Total advances
LKR 2.6 trillion

Capital adequacy ratio
15.4%

Employees
8,209

Correspondent relationships
784

Total deposits
LKR 3.3 trillion

Profit before tax
LKR 31.0 billion

Equity
LKR 254.2 billion

Customer touch points
2,166

Our Market Position

22% Share of industry assets

67% Customer penetration

23% Share of industry loans and advances

23% Share of industry deposits

BoC's Competitive Advantage

- Leading the market in terms of assets, deposits, loans, and advances
- Dedicated to promoting social and environmental sustainability
- The foremost financial services brand in Sri Lanka
- Extensive customer penetration rate of more than 67%
- Unmatched geographical coverage via a network of over 2,100 customer touch points across the Island
- Trust and confidence instilled by being a fully state-owned bank
- Market leader in inward remittances
- Range of extensive lending, deposits and other financial service products
- Large single borrower limit

Our Reach

The Bank of Ceylon has consistently held its place as the largest bank in Sri Lanka, determined by its assets, deposits, and loans and advances. The Bank's extensive customer reach is facilitated by a network of more than 2,100 direct customer touch points, encompassing fully-equipped, limited-service, and mobile branches, SME centers, ATMs, CDMs, and CRMs distributed across the nine provinces by facilitating financial inclusion to the people who are living in the economically disadvantage areas and who are dealing with the informal financial market.

Beyond Sri Lanka, BoC also operates branches in Maldives, Seychelles, and India, and retains a footprint in the United Kingdom.

The Bank also engages with customers through a series of digital channels; web, and mobile including social media. For more details refer page 81.

Overseas Operations

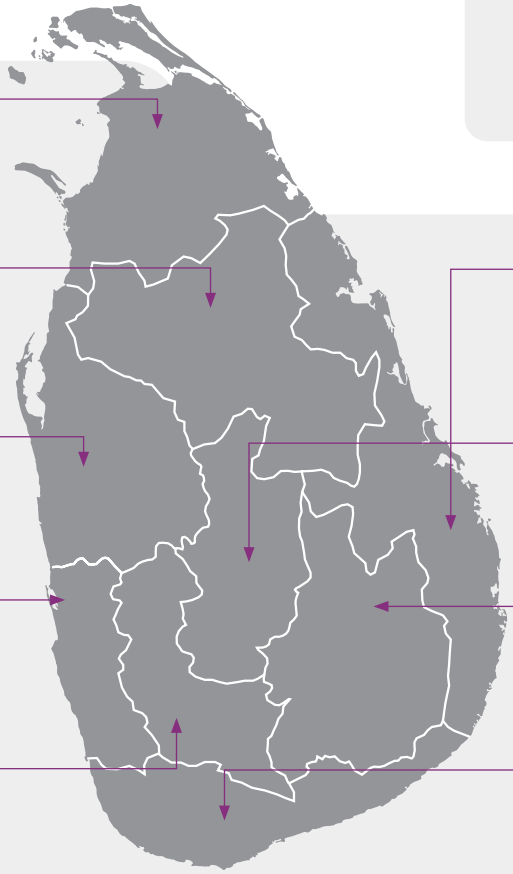
3 1 6

Correspondent Relationships

784

Exchange Houses

91



Northern Province

63 6 1 107 1 5

North Central Province

50 3 1 120 1 4

North Western Province

57 4 1 142 2 1

Western Province

131 36 2 423 1 5

Sabaragamuwa Province

49 2 1 131 2 4

Eastern Province

55 3 1 95 1 5

Central Province

65 7 1 153 2 3

Uva Province

43 4 1 107 2 4

Southern Province

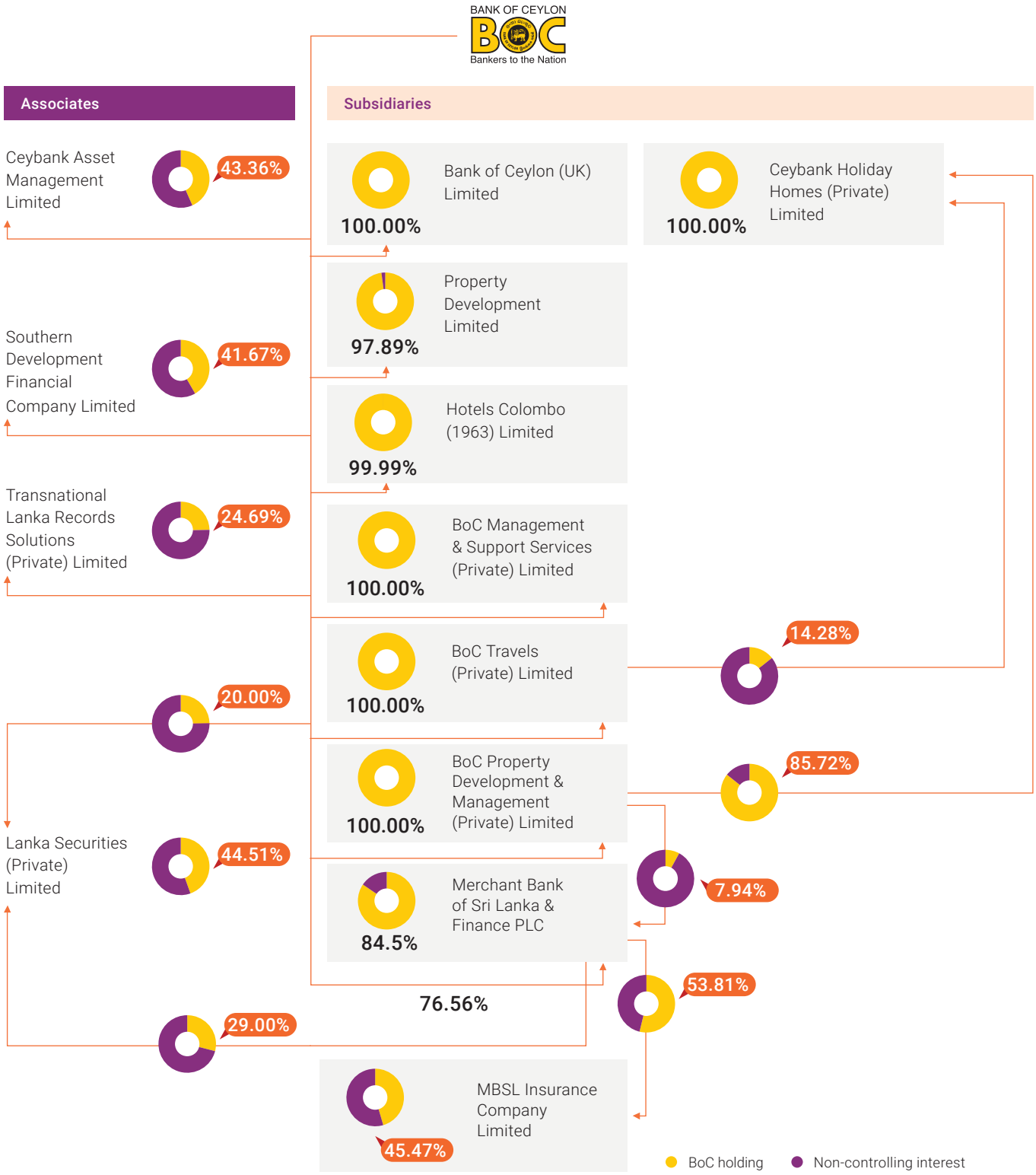
65 3 1 173 3 3

● Branches ● Limited service branches ● Mobile Branches ● ATM/CDM/CRM ● SME Centres ● BoC Connect

About Us

Group Structure

The Group consists of subsidiary and associate companies as described below, operating across a range of sectors either directly related to the Bank's core business, or providing ancillary services that support the Bank's operations and activities.



	Bank			Group		
	2022	2021	Change %	2022	2021	Change %
Results of Operations (LKR million)						
Total income	513,149	290,362	76.7	520,891	297,621	75.0
Net interest income	126,346	111,252	13.6	129,769	114,990	12.9
Profit before taxes on financial services	42,290	52,217	(19.0)	42,372	53,843	(21.3)
Profit before tax	30,977	43,190	(28.3)	31,053	44,637	(30.4)
Profit after tax	31,972	37,590	(14.9)	31,849	38,683	(17.7)
Value to the Government	31,949	20,710	54.3	32,606	21.433	52.1
Financial Position (LKR million)						
Total assets	4,336,460	3,803,284	14.0	4,390,769	3,847,950	14.1
Gross loans and advances	2,584,779	2,576,668	0.3	2,617,905	2,612,567	0.2
Loans and advances net of provisioning for impairment	2,325,594	2,413,762	(3.7)	2,355,978	2,446,330	(3.7)
Deposits due to customers	3,334,774	2,866,894	16.3	3,358,198	2,886,237	16.4
Total liabilities	4,082,276	3,602,524	13.3	4,118,238	3,632,553	13.4
Total equity	254,184	200,760	26.6	272,531	215,397	26.5
Per Share Data (LKR)						
Basic earnings per share	1,279	1,504	(14.9)	1,280	1,540	(16.9)
Net assets value per share	10,167	8,030	26.6	10,859	8,552	27.0
Performance Ratios (%)						
Return on average assets	0.8	1.3	(0.5)	0.8	1.3	(0.5)
Return on average equity	14.1	21.0	(6.9)	13.1	20.1	(7.0)
Interest margin	3.1	3.3	(0.2)	3.2	3.4	(0.2)
Cost to income	29.4	32.0	(2.6)	30.8	33.2	(2.4)
Loans to deposits	77.5	89.9	(12.4)	78.0	90.5	(12.5)
Debt to equity	43.9	51.0	(7.1)	–	–	–
Impairment provision as a percentage of gross loans and advances	10.0	6.3	3.7	10.0	6.4	3.6
Impaired loans (Stage 3)	5.3	5.1	0.2			
Impairment (Stage 3) to stage 3 loans	59.7	49.1	10.6			
Statutory Ratios (%)						
Liquid assets ratio (domestic) (minimum requirement 20%)	21.22	24.97	(3.75)	–	–	
Liquidity coverage ratio (LKR) (Minimum requirement 2022 – 90%, 2021 – 100%)	169.0	169.0	–	–	–	
Liquidity coverage ratio (all currency) (Minimum requirement 2022 – 90%, 2021 – 100%)	122.8	111.5	11.3	–	–	
Net stable funding ratio (Minimum requirement 2022 – 90%, 2021 – 100%)	139.0	125.0	12.0	–	–	
Leverage ratio (Minimum requirement – 3%)	4.6	4.7	(0.1)	4.7	4.8	(0.1)
Capital Adequacy Ratios (%)						
Common equity Tier I Capital (Minimum requirement – 8.50%)	11.3	12.9	(1.6)	11.3	12.8	(1.5)
Tier I capital (Minimum requirement – 10.00%)	12.4	14.3	(1.9)	12.4	14.1	(1.7)
Total Capital (Minimum requirement – 14.00%)	15.4	17.8	(2.4)	15.3	17.6	(2.3)

1 Non-Financial Highlights

Social Performance

Employee Value Creation

57
new employees hired

LKR 73.9 million
invested in training and development of employees

129,493
total man-hours of training delivered

LKR 29.0 billion
investment on employees

588
merit-based promotions awarded

Customer Value Creation

19
branches relocated to enhance customer convenience

61
branches and all off-site Smart Zones improved

75
CRMs installed

2,166
customer touch points

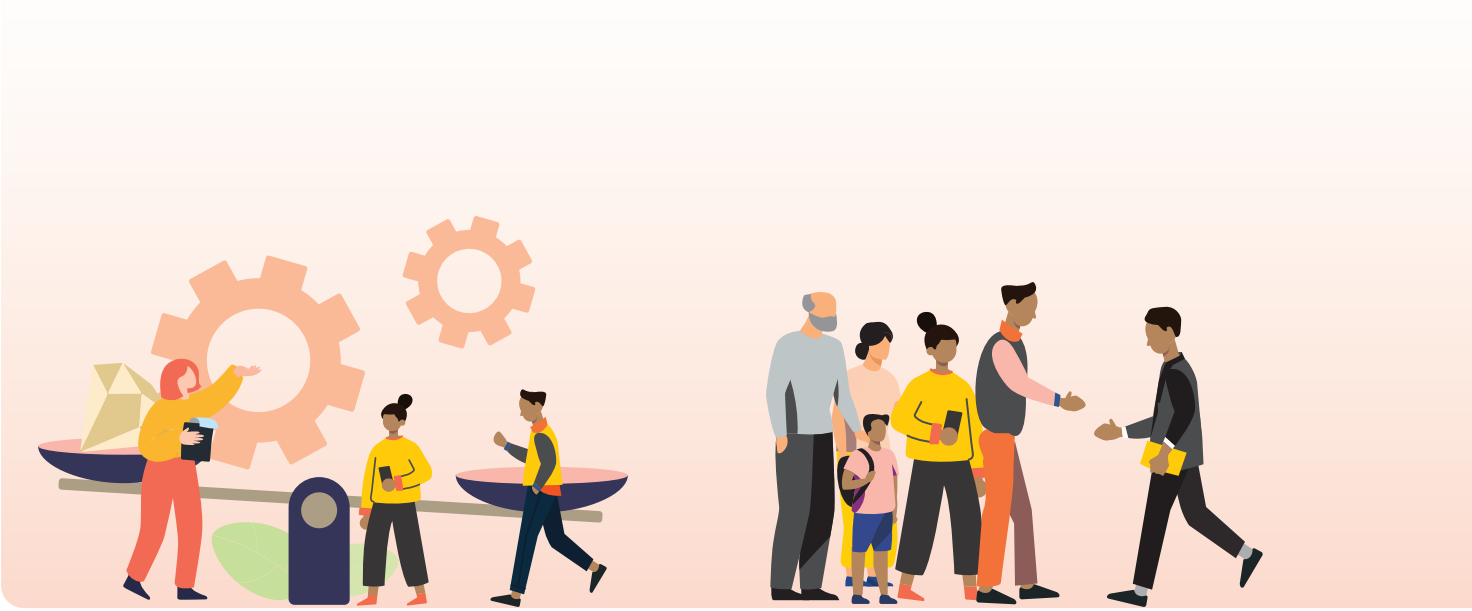
43%
increase in BoC POS units

652,961
new customer registrations during the year

1,019
customers reached through education and awareness raising programmes

10
Mobile branches operated during the fuel crisis

40
customers supported for Business Revival



Economic Performance

Economic Value Creation

USD 3,159.3 million
FOREX inflows through inward remittances

USD 1.9 billion
financing provided for import of essentials (Fuel and Gas)

LKR 31.9 billion
value to the Government

LKR 52.6 billion
loans granted to the MSME sector

LKR 74.4 billion
facilities under moratorium

USD 70.0 million
LCs facilitated for import of pharmaceuticals

Financial Inclusion

LKR 5.4 billion
disbursed through microfinancing

21,495
new loans to the microfinance sector

31%
of microfinancing to women-owned/women-headed businesses

1,540
contact points outside the Western Province

34
agents registered for agent banking network

Environmental Performance

Environmental Value Creation

LKR 4.7 billion
financing disbursed after ESMS compliance

841
loans assessed for Environmental and Social considerations

LKR 711.6 million
lending for green finance

21.9 MT
of paper recycled

Savings through paper recycled

373 fully grown **trees**
38,477 litres of **oil**
87,696 Kwh of **electricity**
696,745 litres of **water**
66 m^3 of **land fill**

3,219.3 Mwh
Solar power generated
Estimates based on effective sunlight hours

13%
of energy requirement of operations from renewables

2 Chairman's Message

Championing a path for revival of the economy, Bank of Ceylon was also instrumental in supporting the capital requirements of new and emerging sectors, clean technologies, and green industries that are at the forefront of creating a climate resilient and sustainable economy and Sri Lanka's green recovery.

Kanchana Ratwatte
Chairman

It is indeed heartening to note that the Premier Bank of this island nation managed to shield the impact of unprecedented challenges that were faced by the Country in a year of extreme internal and external challenges. Bank of Ceylon has successfully weathered the storm and emerged resilient. As Sri Lanka's leading licensed commercial bank, we remained committed to upholding our unique role and responsibility towards our country and people during this turbulent year. I take great pride in the pivotal role played by the Bank in fortifying our Nation's economy, while creating and sharing value with our stakeholders in 2022.

Macroeconomic Pressures Affecting Our Business

Following two years of pressure resulting from the global COVID-19 pandemic and sustained geopolitical upheaval, 2022 brought about new challenges for Sri Lanka's economy; contributing to an unstable and highly stressed operating environment. Sri Lanka's fiscal, external sector, and financial sector imbalances were thrown into stark relief during the year. Rising inflation, a weakening rupee, and depleted foreign reserves led to an energy crisis and severe hardships for Sri Lankans, resulting in a socio-political crisis that made global headlines.
For our customers: corporations and communities across the Island, the hardships were acute. In light of these challenges, Bank of Ceylon, as the largest bank in the country's financial sector and the leading state bank, placed priority on ensuring the stability of Sri Lanka's financial system and providing support to our customers.

Prioritising the Strength of Our Economy

As a state bank tasked with supporting the economy, the Bank's focus in 2022 was on revival and rehabilitation of businesses. The Bank's decision to extend strategic support to customers through debt moratoria and restructuring and rescheduling of facilities enabled impacted industries and sectors to cope with the multiple crises, restructure their business models, and chart a path for revival. As of the end 2022 the Bank has granted extended moratoria to affected customers, amounting to LKR 74.4 billion.

At the same time, the Bank ensured facilities were made available for import of essentials goods; providing relief to millions of Sri Lankans and contributing to business continuity for companies across the Country. During the year, we were able to explore bilateral and concessionary funding lines that brought much-needed capital to Micro, Small, and Medium Enterprises (MSMEs) that were hardest hit but unfortunately often overlooked by policies. With our extended reach and diverse customer base, we are proud to have supported Sri Lanka's MSME sector with over LKR 52.6 billion disbursed in 2022.

Championing a path for revival of the economy, Bank of Ceylon was also instrumental in supporting the capital requirements of new and emerging sectors, clean technologies, and green industries that are at the forefront of creating a climate resilient and sustainable economy and Sri Lanka's green recovery. The Bank also provided concerted and continued assistance to export-oriented SMEs and companies that are the vanguard of enhancing Sri Lanka's export competitiveness and narrowing long-standing external sector imbalances.

Ensuring Stability and Gearing for Growth

Throughout the year, the Bank instituted stringent monitoring and internal controls while prudently making impairment provisions that helped secure our financial position, strengthened our balance sheet, and retained the trust of our customers, business partners, and primarily shareholder. Bank of Ceylon's effective corporate governance and risk management procedures have been a stalwart of our success during an immensely challenging year. Our process and business model were put to the test during the year and proved to be pivotal in navigating the stressed economic scenario.

The Board consulted closely on several critical matters and instituted new measures to manage and monitor the Bank's progress in adapting to changes in the operating environment. Special supervisory committees were established to scrutinise operations, and greater oversight from the Bank's Risk Committee, Internal Capital Adequacy Assessment Process (ICAAP) and Recovery Capital Plan (RCP) Steering Committee, Assets and Liability Management Committee (ALCO), were vital in steering the Bank in the right direction.

In response to the dynamic operating environment, we reviewed and updated all of the Bank's policies; reinforced our risk management framework and widened the scope of monitored risks; revisited and revised counterparty and country limits; installed new oversight committees; enhanced coordination and decision-making processes; instituted daily monitoring of the Bank's position and critical ratios; and invested in developing the capacity of our teams to meet ongoing challenges. These measures ensured the Bank's ratios were maintained above the regulatory norms. The Bank closed 2022 without breaches or the draw-down and utilisation of buffers made available by the regulator.

Despite a downgrade of the Bank's rating in line with the Sovereign Rating downgrade, Bank of Ceylon complied with all regulatory requirements and serviced all the Bank's outstanding obligations while upholding strong and transparent relationships with counterparties and other key business partners.

With a focus on stability of the Bank, we made the largest provision in our history and took steps to strengthen our Financial Position. These actions ensured that Bank of Ceylon is well positioned for future growth that supports our customers and the Country as Sri Lanka takes steps towards economic recovery in the years ahead.

Considering the substantial provisioning, The Bank's profits (PAT) reduced by 15% compared to the previous year, reaching LKR 32.0 billion in 2022. In light of the magnitude of stresses placed upon the financial sector and the Country's economy during the year, this is a resolute performance from the Bank. It also reflects the diligence with which our teams managed and monitored expenses without compromising the quality of our service or the performance of our business units.

Committed to Sustainable Development

As Sri Lanka's largest bank, we believe in conscious stewardship of our natural resources and promotion of environmentally friendly practices. We recognise the multiplier effect the Bank can have in propagating best practices

Chairman's Message

and addressing global challenges. As such, the Bank prioritises mainstreaming sustainability and contribution to the Global Goals, with our core business.

The Bank's socio-economic impact is expressed and amplified through concerted development lending that promotes financial inclusion of underserved segments of the economy; with special focus on the MSME sector. Our development lending in 2022 supported stressed supply chains, created and sustained meaningful employment, encouraged entrepreneurship, and contributed to rural and industrial development across the Country. In 2022, we allocated the Bank's funds for targeted lending to this segment through microfinancing and other products, bringing our total outstanding loans via microfinance to LKR 13.1 billion by the end of the year. In addition, we are privileged to have had the opportunity to support a number of communities through an unique rural development programme "BoC *Gammana*". These exemplary initiatives are in line with Bank of Ceylon's long-term sustainability agenda, mission, and corporate values, and are part of our commitment to addressing the urgent needs of the Country and community.

While managing a challenging operating environment in 2022, the Bank continued to scale up operationalisation of this sustainability agenda. We extended Environmental and Social (E&S) screening to all project financing during the year in line with our Environmental and Social Management System (ESMS) policy. This involved training key staff and credit officers and screening 841 loans for E&S criteria in 2022. Additionally, as part of our green financing initiatives, we prioritised lending that supports adoption, development, and proliferation of green technologies; with allocation of the Bank's own funds.

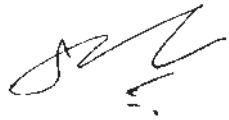
LKR 711.6 million worth of new facilities was granted for green technologies during the year, with total outstanding loans to the renewable energy sector amounting to more than LKR 1.0 billion at the end of 2022. We believe these are incremental but impactful steps towards mitigating the effects of climate change, whilst promoting and supporting Sri Lanka's green recovery and green energy transition.

Appreciation

I wish to express my thanks to His Excellency the President, the Honourable Prime Minister, and the Honourable Minister of Finance for their guidance and support to the Bank and the Board during a tumultuous year. I would also like to thank the Governor and officials of the Central Bank of Sri Lanka, the Secretary to the President, and the Secretary to the Treasury for their invaluable counsel.

Bank of Ceylon's resilient performance during 2022 can be attributed to our employees, whose dedication in the face of multiple crises has ensured we were able to continue serving our Country and communities. I am also thankful to the expertise of my colleagues on the Board and Senior Management, whose vision for the Bank and proactive decision-making have guided Bank of Ceylon through numerous challenges. I express my gratitude to Mr K E D Sumanasiri, who retires as the General Manager/CEO of the Bank after more than three decades of dedicated service.

Looking to the future, I am inspired by the professionalism and pedigree of the Bank's cadre. Bank of Ceylon is well positioned to continue supporting our Country and communities in the years to come. I extend my best wishes to Mr Ronald C Perera, who takes up the mantle of Chairman of the Board in 2023 and the new General Manger/CEO of the Bank Mr Russel Fonseka. I am certain their vision, expertise, and depth of experience will guide Bank of Ceylon from strength to strength.



Kanchana Ratwatte
Chairman

01 January 2023
Colombo

Bank of Ceylon's strategic leadership ensures accountability, transparency, and integrity while setting a proactive course for the Bank's operations in line with its core values. Sound Corporate Governance is a core element of the Bank's leadership function, complemented by a robust framework of systems and processes that ensure compliance and sustainability of the Bank while enable long-term value-creation for stakeholders.

2 General Manager's Review

The Bank continued to invest in its customers during the year; providing for their urgent requirements and rescheduling and restructuring facilities to support their business survival. Our staff were diligent and proactive in working with customers affected by the crisis.

On the back of multiple years of challenging conditions beginning in 2019, the year under review brought extraordinary trials for the Country and the entire banking system. However, I am pleased to report that Bank of Ceylon posted a strong performance in 2022 whilst remaining unflinching in its duty to the Country. I am proud of the efforts of our hardworking team at BoC, who responded to a rapidly changing operating environment with dynamism and resolve.

Responding to Challenges

Amidst the Country's mounting economic crisis, 2022 led to a steady increase in interest rates, which completely changed the picture in the Country and the financial sector. Floating of the exchange rate that occurred towards the end of the first quarter and the announcement of sovereign default in the beginning of the second quarter presented major economic shocks to the economy with ripple effects felt across all industries and throughout the Country. Hyperinflationary pressures coupled with depletion of foreign exchange laid bare and Sri Lanka's external sector weaknesses, resulting in an energy crisis that sparked socio-political unrest and upheaval.

K E D Sumanasiri
General Manager

In this situation, the Bank prioritised business continuity whilst working to stabilise the economy and support crisis-affected businesses and communities. During a difficult year, we took every effort to align our activities with the urgent and long-term needs of our stakeholders. As the market leader in the financial services sector, we also recognise our prime responsibility towards the stability of the financial system. In this regard, we took proactive and prudent measures to ensure the Bank's stability: strengthening our financial position and balance sheet, instituting stringent controls, increasing oversight, and improving our leadership for managing and mitigating risks.

Fulfilling a Duty towards Our Stakeholders

As a fully state-owned Bank, BoC plays a unique role in the Country and economy. Acknowledging the critical nature of socio-political stability that contributes to business activity; BoC provided essential financing for major state importers, thereby contributing to the smooth flow of essentials such as fuel, gas, and pharmaceuticals.

Despite disruptions, we prioritised business continuity and ensured our extensive branch network and footprint of over 2,100 customer touch points remained open and operational during the Country's energy crisis; thereby providing vital access to financial services for some of the most remote locations in the Country. During the year, we deployed resources and carried out a number of programmes that facilitated inflow of foreign remittances and export earnings. We appointed a high level committee to manage and allocate FOREX on priority basis, thereby allowing the Bank to provide critical foreign exchange towards the import of essentials.

BoC also focused its support towards sectors of the economy that were hardest hit by the economic crisis; providing concessions and moratoria amounting to an estimated LKR 74.4 billion to crisis-affected businesses mostly in the tourism and hospitality sector that had faced multiple years of setbacks.

In line with a long-term view of supporting and journeying with our customers, BoC chose not to pursue aggressive recovery, litigation, or repossession. Instead, the Bank prioritised sharing of value and benefits with customers: extending concessions and protection from interest rate fluctuations to retail borrowers who were beset by rising inflationary pressures and doubly affected by the economic downturn. The Bank supported 35,291 retail customers in this regard. Similarly, our committed and continued support to customers in the form of business revival and rehabilitation was also expanded in 2022 as we established Business Revival and Rehabilitation Units (BRRUs) at Provincial level in order to meet the requirements of businesses across the Country. BoC's customers who faced import restrictions, loss of competitiveness, increased cost of capital, and working capital and cash flow issues were supported by the Bank's BRRUs and dedicated and well-trained teams. During the year, BoC was instrumental in rehabilitating over 30 businesses and contributing to protecting over 2,500 direct and indirect jobs.

As part of our efforts towards financial inclusion and support for underserved sectors of the economy, BoC provided facilities amounting to LKR 52.6 billion at preferential rates to support MSMEs, small businesses, and entrepreneurs, including LKR 4.3 billion in facilities to female-headed and female-owned enterprises.

Progress Against Our Strategy

Responding to the highly uncertain and volatile operating environment, the Bank reoriented its short-term strategy to prioritise strength of the Balance Sheet over growth during the year. In the long term, the Bank's transformative and forward-looking strategy continues to provide us a competitive edge. Progress towards and alignment with the Bank's strategic plan is monitored by five management level committees.

Despite a rapidly changing operating environment during the year, we were able to maximise on BoC's inherent strengths while proactively positioning ourselves for growth and investing in key areas to future-proof the Bank for contraction of the economy and continued stresses expected in the years to come.

Customer-centricity

The Bank is strengthened by its diverse and expansive base of over 14 million customers. During the year, customer-centricity was evident across the Bank's business lines as BoC supported customers through the crisis with tailor-made solutions. Expansion of Business Revival activities at the BRRU; provision of moratoria to crisis-affected businesses; extension of support to retail customers; concessionary development lending to MSMEs and underserved groups; concerted support for export-oriented businesses, SMEs, and expatriate Sri Lankans through the BoC Export Circle, SME Circle, and Foreign Circle; pioneering of new and innovative products; and expansion of the Bank's rural-focused agent banking network – BoC Connect, were all efforts towards better serving our customers. During 2022, we continued

to invest in improving the service skills of our team through a variety of training programmes and strengthened our dedicated Customer Experience Unit. The Bank's ongoing branch rationalisation programme saw opening of a new Branch at Andaulpotha, Badulla District; relocation of 19 branches to enhance customer convenience, and upgrading of 61 branches and off-site Smart Zones during the year.

Digital Excellence

Digitalisation of the Bank's services, systems, processes, and customer journey is part of BoC's transformational strategy aimed at future-proofing through digital capability. In 2022, we improved and added features and functionality to a number of BoC's digital and online banking solutions. In addition, we continued investing in digital infrastructure by strengthening the Bank's back-end hardware; enhancing cybersecurity measures and infrastructure; and improving internal and external support and service systems. These measures align with increased adoption of digital channels by our customers, 48% of all customer transactions occurred through digital or electronic banking channels in 2022.

Building a High-performing Team

Our employees are at the core of our business model and are an integral part of how we create value. The Bank carried out a comprehensive review of the employee remuneration and benefits programme during the year, in order to ensure competitiveness in line with changes to the operating environment. The Bank's policies relating to Human Resource Management (HRM) were similarly reviewed and revised. New policies were also introduced during the year to enable the HR function to better focus its employee engagement and employee retention efforts. During the fuel crisis that ensued throughout the year, BoC took steps to support its teams with dedicated transport services, and piloting of Work from Home (WFH) and remote working features. These, coupled with temporary transfers, enabling of flexi-hours, and host of other measures enabled our teams to remain safe, productive, and engaged. Skills development of our employees was another focus area in 2022, with trainings designed to strengthen skills and capabilities in key areas and such as business revival and customer service, alongside continuous professional development and leadership development. The Bank carried out 663 training programmes and invested LKR 73.9 million in employee training and development during the year.

Rewarding Credit Culture and Healthy Credit Portfolio

The Bank continued to invest in its customers during the year; providing for their urgent requirements and rescheduling and restructuring facilities to support their business survival. Our staff were diligent and proactive in working with customers affected by the crisis. In a rapidly changing operating environment, the Bank's customer awareness programmes helped inform customers of changes, potential for support, and action that needed to be taken. As a result of these concerted efforts at upholding BoC's rewarding credit culture, the Bank was able to preserve quality of its portfolio, with ratios within the given range.

Stability, Governance, and Sustainable Growth

The strength of BoC's corporate governance framework and practices played a key role in the resilient performance we delivered in 2022. The Bank prioritised stability of the Balance Sheet and business model to withstand the pressures from a highly challenging year, while also continuing to deliver value to our stakeholders. The Bank's alignment with National objectives ensured we met the needs of our Country and communities while positioning the Bank to grow alongside Sri Lanka's recovery in the years to come.

A Resilient Performance

BoC posted a remarkable performance in 2022 despite a challenging operating environment. This is testament to the Bank's unwavering focus on driving key imperatives, agility in decision-making, and adoption of a relevant and timely strategy. The Bank's efforts to revive businesses, support affected sectors, and pilot innovative products mitigated the negative effects of a high interest regime that persisted during the year. Total gross loans and advances showed only a marginal growth of LKR 8,110.8 million due to reduction in direct lending to the Government by a considerable amount during the year. Net loans and advances showed a decline of 4%, reflecting the Bank's prudent approach of making provision for possible credit losses as a part of strengthening the Balance Sheet and safeguarding against potential future shocks. Deposits increased by 16% and accounted for 84% of the Bank's total funding, demonstrating the public's continued trust in Bank of Ceylon's stability.

The Bank reported a 14% growth in Net Interest Income (NII) during the year, while net fee and commission income also grew by 15%. However, reflecting depressed economic conditions and a high interest rate regime, interest expenses grew by 121%. Similarly, the Bank's impairment charge for loans and investments increased by 99% due

to the proactive approach of the Bank by strengthening the Balance sheet, considering the impairment provision under expected credit loss model, together with broad-based deterioration in credit quality as a result of the protracted crises and unprecedented economic pressures facing the Country. The Bank's Stage 3 ratio of 5.3%, remained in line with industry peers.

> The Bank is strengthened by its diverse and expansive base of over 14 million customers. During the year, customer-centricity was evident across the Bank's business lines as BoC supported customers through the crisis with tailor-made solutions.

The Bank's operating expenses increased by 14% in 2022, driven primarily by increased personnel expenses that reflected our dedication and commitment to supporting our loyal employees during difficult circumstances.

Compared to the year 2021, the Bank's operating profit before tax on financial services decreased by 19% to LKR 42.3 billion, while Profit Before Tax (PBT) and Profit After Tax (PAT) recorded declines of 28% and 15% respectively.

Profits were compromised during the year in order to prioritise national requirements, provide concessions and support to our loyal customers, and make substantial provisions aimed at strengthening the Bank's Balance Sheet.

The Bank's total assets increased by 14% to LKR 4.3 trillion in 2022, despite lowering credit growth. In response, the Bank focused on strengthening its capital position by increasing internally generated capital and debentures. The Bank was able to maintain its Tier I Capital and Total Capital ratio at 12.4% and 15.4% respectively as of end December 2022, even with an increase in risk weighted assets due to Rupee depreciation, payment of LKR 6.7 billion surcharge tax deducted from retained earnings, and rising Stage 3 loans adversely impacting the Bank's Capital Adequacy Ratio (CAR).

Acknowledgements

At the conclusion of this particularly challenging year, the Bank has emerged resilient. However, much more remains to be done in navigating the challenges ahead and charting a course for the Bank. In this regard, my best wishes go out to the new General Manager, Mr Russel Fonseka, and the new Chairman of the Board, Mr Ronald C Perera as they accept the reins of the Bank during this critical juncture. I look forward to their message, which sets out the Bank's plans and priorities in the year ahead. I am certain their leadership will take Bank of Ceylon from strength to strength in the years to come.

I would like to express my gratitude to all the stakeholders of Bank of Ceylon for their unwavering support during what was an immensely challenging year. BoC's progress towards achieving its strategic targets, and its resilient performance during the year were made possible by the commitment of our employees including Corporate Management and Executive Management, the loyalty of our customers, and the trust and confidence of our business partners and trade unions.

I extend my sincere appreciation to our Chairman and Board of Directors for their leadership, which has been invaluable in fuelling our efforts during the year. I am also thankful to the Governor of the Central Bank of Sri Lanka, the honourable Minister of Finance, and their officials and staff, whose guidance and oversight were vital during the year. I would also like to appreciate the efforts of the Auditor General and National Audit Office staff, who ensured timely completion of the audit, finalisation of the Financial Statements, and thereby timely publication of this Annual Report.

K E D Sumanasiri
General Manager

13 January 2023
Colombo

2 Incoming Chairman's and General Manager's Outlook

"Bank of Ceylon is a giant in the financial sector and a strong competitive force on par with its peers. We are a truly unique institution as we deal with the largest corporations, industries, and projects, but also cater to every strata of society."

Bank of Ceylon is well placed to play a key role in Sri Lanka's economic recovery after closing 2022 on hard-won stable footing. Building on the strength of years of expertise, a future-focused strategy, and a commitment to continuous improvement; the Bank has staved off challenges and emerged resilient. We are privileged to take the helm of this highly professional, efficient, dynamic, and committed institution as it continues to evolve in order to meet the needs of customers, the Country, and a changing operating environment.

Building on Our Pedigree

Bank of Ceylon is a giant in the financial sector and a strong competitive force on par with its peers. We are a truly unique institution as we deal with the largest corporations, industries, and projects, but also caters to every strata of society.

"Our staff members the Bank's greatest asset. We are privileged to have a staff strength of over eight thousand, and the support of employee trade unions who have the best interests of the Bank at heart. This dedicated team has been instrumental in retaining the Bank's number one position despite challenges."

We are governed by a professional and highly qualified Board appointed through a stringent vetting process. The Board's multidisciplinary expertise ensures the Bank is well-placed to meet the future demands. We are also strengthened by the Bank's stringent systems and processes, which follow the protocols required of a State Bank, while retaining the independence and agility to function in a dynamic business environment.

Incoming Chairman's and General Manager's Outlook

Position

Assets (Market share)	Deposits (Market share)	
22%	23%	2,166 customer touch points

Stability

Asset growth	Deposit growth	Capital Adequacy Ratio
14%	16%	15.4%

Brand value LKR 53.9 billion

Profitability

Growth in net interest income	Interest margin	Profit After Tax (PAT)
14%	3.1%	LKR 32.0 billion

Return on Assets (RoA)	Return on Equity (RoE)
0.8%	14.1%

Efficiency

Profit per employee	Business per employee
LKR 3.8 million	LKR 721.1 million

Treatise on Present Challenges

As we look towards a new year, the challenges that present themselves today are vastly different to those seen by the financial sector in years past. A third of the global economy is expected to experience recession in 2023 and Sri Lanka is not spared from these pressures; following sovereign default, a path to servicing of sovereign liabilities is being charted; the impact and extent of potential domestic debt restructuring is uncertain; and the full impact of the Country's economic crisis on our customers and institutions is still unfolding.

In response to forthcoming challenges, steering the Bank strategically and judiciously in the next few years is of utmost importance. While charting a path for sustainable growth and sharing of created value with all stakeholders, the Bank has initiated processes to identify and mitigate risks, strengthen relationships with stakeholders, control and limit our exposure, and address long-standing challenges.

We are intent on retaining a professional approach to all loans, including those to State Owned Enterprises (SOEs). The Bank has instituted a specialised unit to manage and monitor the process of lending to SOEs. We are committed to empowering state entities in their yeoman service to the Nation, and will be focusing our attention on facilitating their individual requirements while providing necessary technical and structural support with closer monitoring.

In a hyper-inflationary environment with elevated interest rates, the Bank will be taking exceptional measures to manage our costs within the targets. The Bank will also be working closely with counterparties, funders, ratings agencies, and other business partners, to pursue necessary measures that would enable appropriate rating of the Bank, smooth and efficient cross-border transactions, and timely servicing of our commitments.

Responding to deteriorating asset quality year on year brought on by depressed economic conditions and multiple crises; we are committed to working with our customers towards the revival of their businesses. We have invested in strengthening BoC's Business Revival and Rehabilitation Units (BRRUs) and will be extending support to our customers through a variety of means, including the funding of urgent requirements, managing cashflows, and providing concerted advisory and consultancy support.

Renewed Commitment to Our Country

We believe that the Bank can only grow if our stakeholders grow alongside us. BoC has always been committed to creating value for our stakeholders, and we will be pursuing this end in the years ahead.

The Bank's commitment to the Country will be reinforced by our actions at every level: from micro-finance lending for smallholder groups and entrepreneurs; concessionary and development lending that benefits Small and Medium Enterprises (SMEs); and concerted support and lending to export-oriented SMEs and companies; to the promotion of inward remittances; funding of key infrastructure development projects and industrial ventures; and support that contributes to the stability of the financial system and the economy. At a time when foreign exchange is a critical resource for our Country, the Bank will also continue its pioneering efforts to promote and incentivise inward remittances through formal channels, and to allocate invaluable foreign exchange for National priorities.

Our staff members are the Bank's greatest asset. We are privileged to have a staff strength of over eight thousand, and the support of employee trade unions who have the best interests of the Bank at heart. This dedicated team has been instrumental in retaining the Bank's number one position despite challenges. We recognise that our team is affected by the Country's economic crisis, and we are committed to supporting and providing them with relief where appropriate. We will also continue investing in our employees through training, capacity development, and measures for career progression; and fair and competitive remuneration.

Customers are at the heart of what we do. We believe in supporting our customers through challenging conditions and remain committed to pursuing opportunities for business rehabilitation and revival, instead of recoveries. We also hold the firm belief that SMEs and entrepreneurial ventures are quintessential to our economy and our way of life as Sri Lankans. We will continue to support local SMEs with facilities, business advisory services support for export and market accessibility.

We are also cognisant of the role of our natural environment, green technologies, and opportunities arising for Sri Lanka from a green economy and green recovery. In this regard, the Bank's takes its commitment to sustainability very seriously. The Board and the Bank's senior management have committed to continually reduce our environmental footprint, and we aspire to be a carbon-neutral bank by the year 2028. In line with our efforts to mainstream Environmental and Social considerations in our lending and investment decisions, the Bank has policies and processes (Environmental and Social Management System – ESMS) in place to finance, promote, and give impetus to the adoption of renewable and clean energy.

Our Long Term Strategy and Pathway for Stable Growth

Bank of Ceylon is the largest local commercial bank in Sri Lanka, and our long-term strategy considers the Bank's role in creating value for its stakeholders. We are gearing the Bank for moderate growth in the medium-term, with acceleration that aligns with the Country's economy growing and recovering. We will remain watchful when considering growth of the balance sheet, and instead prioritise strengthening the Bank's position in the short and medium-term. Five special monitoring committees have been formed for closer monitoring of Asset Quality, Net Interest Income (NII), Fee Income, Investment, and Cost Management, considering the criticality of these components in the performance of the Bank in the year to come. While focusing on creating and sharing value with our stakeholders year to year, our ultimate purpose is to reach a LKR 5 trillion asset-base by 2024.

The Bank's transformational strategy provides an excellent blueprint for our growth trajectory, and we are redoubling efforts to drive performance against strategy. The Bank has appointed champions to drive each pillar in the strategic plan, and we have instituted consistent measures to monitor our progress along this path.

Excellence in customer service, a commitment to increased efficiency and productivity improvement through reengineering business processes, and continued transition to digitalisation and digital products, promise to be key in our future trajectory. We have made these a priority for our business units and have incorporated deliverables and strategic KPIs in our assessments to ensure the entire team at BoC are of one mind. In addition, we have set out to enhance the skillset of our workforce to deliver the diverse and sophisticated requirements of our customers amidst a dynamic operating environment.

Bank of Ceylon is on a pathway to stable growth with a growing market share and an increasing asset base made possible through scaling up of digitalisation, pursuit of operational efficiencies, and expert capacity of our cadre. Over the last fifteen years we have grown our balance sheet from LKR 475 billion in 2008 to over LKR 4 trillion in 2022.

The last three years have given us the impetus to invest in and scale up digital adoption at the Bank. Our future-focused digital-first business model will enable the Bank to better serve its customers by leverage synergies and existing capacity for exponential growth in volumes, and to share the benefits of technological advancement with our customers in the form of competitive prices. With a rich product range that can cater to the full volume of the market, we look forward to creating more value for more people in the years to come.

As we continue to invest in digital channels, and move away from a traditional brick and mortar business model, we look forward to delivering superior value and the best experience to our customers.

Group Functions

In 2023, we will also be taking forward plans for rationalisation of the Group, including exit from unrelated business; consolidation and merger of companies engaging in similar business to maximise synergistic benefits; exploration of new related business areas through subsidiaries and associates; increased monitoring and support to subsidiaries and associates for improved governance and performance; and pursuit of enhanced contribution to the group by restructuring and refocusing key subsidiaries.

As we continue on a stable trajectory, the Bank's best-in-class corporate governance systems and processes will be key to ensuring we remain resilient in the face of challenges, to deliver lasting value to our stakeholders.

Closing Remarks

We would like to take this opportunity to thank the outgoing Chairman, Mr Kanchana Ratwatte, and the outgoing General Manager/Chief Executive Officer, Mr K E D Sumanasiri. Their untiring dedication and visionary leadership have been instrumental in enabling the Bank to navigate multiple crises during an exceptionally challenging year.

We thank the officials at the Ministry of Finance and the Central Bank of Sri Lanka for their guidance and direction during a testing year, and look forward to their support as we work closely in the year to come.

Ronald C Perera PC
Chairman

W P Russel Fonseka
General Manager/Chief Executive Officer

24 February 2023

Colombo

2 Board of Directors

Mr Kanchana Ratwatte
Chairman, Independent
Non-Executive Director

Ms Janaki Senanayake Siriwardane
Secretary-Bank of Ceylon/
Secretary to the Board

Mr A C Manilka Fernando
Independent
Non-Executive Director

Mr R M Priyantha Rathnayake
Non-Executive Ex officio
Director

Major General (Rtd.) G A Chandrasiri VSV
Independent
Non-Executive Director

Mr G Harsha Wijayawardhana
Independent
Non-Executive Director

Board of Directors as at 31 December 2022

Mr Kanchana Ratwatte

Chairman, Independent Non-Executive Director

Date of appointment

02 January 2020
Ceased to be the Chairman/Director w.e.f. 01 January 2023

Skills and experience

- An Attorney-at-Law holding LLB Degree from the University of Colombo.
- Extensive experience in public sector processes and regulations through leadership positions in public sector institutions.
- Private sector administration and leadership in IT, security data printing, software development, Business Process Outsourcing, insurance brokering and securities.

Other appointments

- Chairmanships during 2022;
  - Property Development Limited.
  - Merchant Bank of Sri Lanka and Finance PLC.
  - Hotels Colombo (1963) Limited.
  - BoC Property Development and Management (Private) Limited.
  - Bank of Ceylon (UK) Limited.
- Board positions in two private sector companies, one in Stock brokering and the other in Insurance brokering.

Previous appointments

- Director General of the Telecommunications Regulatory Commission of Sri Lanka.
- Chairman of the Sri Lanka Standards Institution and Ceylon Shipping Corporation among others.
- Director of Lanka Coal Co. (Private) Limited.
- Director of EW Information Systems Limited.
- Director of Toppan Forms (Colombo) Limited.

Board of Directors

Mr R M Priyantha Rathnayake

Non-Executive
Ex officio Director

Date of appointment

28 April 2020

Skills and experience

- A special Grade Officer in the Sri Lanka Planning Services with over 25 years' experience.
- Holds a MSc in Agriculture from the Agriculture University of Norway and a BSc in Agriculture Economics from the University of Peradeniya.
- Extensive experience in multilateral development banking.
- Involved in mobilising foreign funding for development projects including bilateral negotiations, co-ordination with development partners and lending agencies.

Other appointments

- Deputy Secretary to the Treasury.
- Director of the Securities and Exchange Commission of Sri Lanka.
- Acting Chairman of Colombo Lotus Tower Management Company (Private) Limited.
- Director of Asian Infrastructure Investment Bank representing the constituency of Cambodia, Indonesia, Lao PDR, Sri Lanka and Timo-Leste.

Previous appointments

- Chairman of National Savings Bank.
- Member of the National Medicinal Drug Regulatory Authority.
- Alternate Executive Director of the Asian Infrastructure Investment Bank, Beijing, People's Republic of China.
- Director of People's Bank.
- Director of the Civil Aviation Authority of Sri Lanka.
- Director of the Academy of Financial Studies (Guarantee) Limited.
- Member of the Governing Council of the University of Vocational Training.
- Director of the Sri Lanka Institute of Tourism and Hotel Management.
- Member of the Board of Directors of the National Aquaculture Development Authority of Sri Lanka.
- Member of the Sri Lanka Council for Agricultural Research Policy.
- Director of the State Pharmaceuticals Corporation of Sri Lanka (SPC).
- Director of the Mahaweli Authority of Sri Lanka.
- Member of the Advisory Board of the Science and Technology Policy Research Division of the National Science Foundation.
- Member of the Sri Lanka Economic Association.
- Commission member of Insurance Regulatory Commission of Sri Lanka.

Mr G Harsha Wijayawardhana

Independent
Non-Executive Director

Date of appointment

14 January 2020
Ceased to be a Director w.e.f.
13 January 2023.

Skills and experience

- IT professional with over 20 years of wideranging experience in the ICT industry.
- Has been involved in Government ICT projects including Government networks.
- Established the Software Development Unit of the University of Colombo.
- Held responsibility for key national level software projects such as the Automated Fingerprint Identification System (AFIS) of the Police, etc. and developing the Electronic Government Procurement System of Sri Lanka with the Ministry of Finance.
- Holds a Bachelor of Science Degree majoring in Biochemistry and Chemistry and Minor in Mathematics from the University of Miami, USA.
- A Chartered fellow of the British Computer Society.
- Has published several scientific papers and authored several books and is honoured as an ICT pioneer of Sri Lanka by ICTA,LK Domain Registry and ISOC Sri Lanka Chapter.

Other appointments

- Director/CEO of Amsoft (Private) Limited.
- COO/CTO of Theekshana (Affiliated Company of the University of Computing (UCSC)).
- Founding Director of LK Domain Registry.
- Member of Consultative Committee, Sinhala Dictionary Compilation Institute.
- Chairman of the newly regrouped Local Language Working Group under ICTA.

Previous appointments

- Served on the Board of Directors of Lanka Government Information Infrastructure Limited.
- Has served as an ICT Consultant to the Telecommunications Regulatory Commission of Sri Lanka.
- Has served as a Head/Consultant to the UCSC/Software.
- Has served as an ICT Consultant to the Presidential Secretariat.

Mr A C Manilka Fernando

Independent
Non-Executive Director

Date of appointment

21 April 2020
Ceased to be a Director w.e.f.
21 April 2023.

Skills and experience

- A Banking, Strategy, Accounting and Finance professional with over 40 years experience in Sri Lanka and overseas organisations.

- Consulting/advisory services for projects in strategic planning, restructuring and organisational development at a range of organisations including Commercial Banks and Non-Bank Financial Institutions.
- A Fellow Member of the Institute of Chartered Accountants of Sri Lanka.
- Underwent special training at Harvard University and INSEAD.
- Holds a MBA degree from the University of Georgia, USA.

Other appointments

- Non-Executive Director of Softlogic Finance PLC.

Previous appointments

- Senior management positions in the financial services sector at Citibank, Mashreq Bank (Dubai, UAE), NDB Bank and Al Rajhi Bank (Riyadh, Saudi Arabia).
- Has been a Director of several other companies in the private sector.
- Visiting Lecturer at the Institute of Chartered Accountants, University of Colombo and other institutions.

Major General (Rtd.) G A Chandrasiri VSV

Independent Non-Executive Director

Date of appointment

08 January 2021

Skills and experience

- Experience in public sector processes and regulations through leadership positions in the public sector.
- A Graduate from the National Defense College, India and Defence Services Command and Staff College, Bangladesh.
- Special recognitions awarded include the Rana Wickram Padakkama (RWP), Vishishta Sewa Vibushanaya (VSV) and Uththama Sewa Padakkama (USP).

Other appointments

- Chairman of Airport and Aviation Services (Sri Lanka) (Private) Limited.

Previous appointments

- Illustrious military career of 35 years, holding a number of key command and staff appointments in the Sri Lanka Army including;
  - Chief of Staff of the Sri Lanka Army (2nd in Command of the Army).
  - Major General Sri Lanka Army.
  - Principal Staff Officer at the Joint Operations Command Headquarters and Regimental Commander of the Sri Lanka Army Special Forces and Sri Lanka Armoured Corps.
  - Commander of the Security Forces Headquarters, Jaffna.
  - Military Security Co-ordinator to HE the President.
  - Competent Authority for the resettlement of Internally Displaced People in the Northern Province in the aftermath of war.
- Governor of the Northern Province.

Prof Kithsiri Liyanage

Independent Non-Executive Director

Date of appointment

31 March 2023

Skills and experience

- Highly experienced Engineer, with over 25 years of service in academia – in Sri Lanka, Japan, and the United States.
- Holds a Doctorate in Electrical Engineering from the University of Tokyo, a M.Eng from the same university, and a BSc.Eng (Hons) in Electrical and Electronic Engineering from the University of Peradeniya
- He is a fellow of the Institute of Engineers Sri Lanka (IESL), a Senior Member of Institute of Electrical and Electronics Engineers, USA (IEEE), and a Chartered Engineer.
- Involved in several national-level roles with key Government Ministries, Departments, and advisory bodies and committees.

Other appointments

- Senior Professor, Department of Electrical and Electronic Engineering, University of Peradeniya

Previous appointments

- Secretary to the Ministry of National Policies, Economic Affairs Child Youth and Cultural Affairs
- Chairman, Public Utilities Commission of Sri Lanka (PUCSL)
- Chairman, Engineering Service Board
- Member of the National Salaries & Cadre Commission (NSCC)
- Dean, Faculty of Engineering, University of Ruhuna.
- Dean, Faculty of Graduate Studies, Sri Lanka Institute of Information Technology (SLIIT).
- Director, Information Technology Center and Computing Center, Faculty of Engineering, University of Peradeniya.
- Head, Electrical and Electronic Engineering Department, University of Peradeniya.
- Director, MILODA Academy of Financial Studies.
- Faculty member, University of Tokyo, University of Washington, and University of Peradeniya.
- Visiting faculty member, University of Tokyo, Oulu University, and Meijo University.

Ms Janaki Senanayake Siriwardane

Secretary, Bank of Ceylon/ Secretary to the Board

Profile is given on page 32.

2 Corporate Management

Corporate Management

Corporate Management

Mr K E D Sumanasiri

Outgoing General Manager
(Appointed as the General Manager in August 2021)

Skills and experience

Counts over 32 years of multi-disciplinary experience within the Bank with expertise in credit and people management. During his career at the Bank, he has served in areas of Retail Banking, Micro Finance, Corporate Finance, Recoveries, Learning and Development and Human Resource Management.

BSc. (Honours) Degree in Business Administration (University of Sri Jayewardenepura), Management Development Programme for Key Management Personnel (Postgraduate Institute of Management), Special Management Course of higher Management and Public Policy for Business Leadership (Postgraduate Institute of Management), training programme offered by the Harvard Business School of USA, Associate Member of the Institute of Bankers of Sri Lanka and Chartered Institute of Personnel Management Sri Lanka.

Mr W P Russel Fonseka

Incoming General Manager
(Appointed as the General Manager in January 2023)

Skills and experience

Over 32 years of experience in the Bank across its local and overseas operations, specialising in Financial Management, Budget and Strategic Planning.

Other areas of experience includes Retail Banking, International Operations, Treasury and Investment and Corporate and Offshore Banking.

BSc (Special) Degree in Business Administration (University of Sri Jayewardenepura), MBA (University of Southern Queensland, Australia) Advanced Management Programme at the Harvard Business School, USA, Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Senior Fellow Member of the Institute of Bankers of Sri Lanka.

Ms Janaki Senanayake Siriwardane

Secretary, Bank of Ceylon/ Secretary to the Board
(Appointed to the Corporate Management in October 2010)

Skills and experience

Over 26 years of experience in the Bank in Company Secretarial and Corporate Governance.

An Attorney-at-law by profession with an LLB.

MBA (Merit) from the University of Colombo.

Mr D S Muthukudaarachchi

Deputy General Manager
(Recovery Corporate)
(Appointed to the Corporate Management in February 2020)

Skills and experience

Over 32 years of experience in diverse aspects of the banking operations.

Wide experience in Retail and Corporate Banking specialising in Credit Management, Credit Risk and Overseas Branch operations.

BSc (Special) Degree in Estate Management and Valuation (University of Sri Jayewardenepura).

Mr Y A Jayathilaka

Deputy General Manager
(Development Banking and Branch Credit Operations – Range II)
(Appointed to the Corporate Management in February 2020)

Skills and experience

Counts over 25 years of experience in multi-disciplinary roles in Branch operations, Treasury and Overseas operations, Project Management, Process Automation, Products and Process Development, Credit operations, and Recoveries.

Has been involved in the implementation of major IT projects such as Core Banking system and Trade Finance systems in BoC UK Ltd., Core Banking and Teller system upgrade of the Bank, DMS and Workflow Automation System, and several other customer-facing digital offerings of the Bank.

BSc (Special) Degree in Business Administration (University of Sri Jayewardenepura), Master of Business (Finance) Degree (University of Kelaniya), Diploma in Banking and Finance, Associate of the Institute of Bankers of Sri Lanka, and Advanced Course in Strategic Management from the Postgraduate Institute of Management (University of Sri Jayewardenepura).

Mr H Priyal Silva

Deputy General Manager
(Branch Operations)
(Appointed to the Corporate Management in February 2020)

Skills and experience

Counts over 25 years of extensive experience in various aspects of banking specialising in Finance, Corporate, Retail and Development Banking, International and Treasury operations and Branch operations including Sales and Marketing.

BBA Second Class (Upper Division) Degree (Specialised in Marketing) (University of Ruhuna), MBA in Accountancy (University of Kelaniya), Postgraduate Diploma in Business Administration and Postgraduate Diploma in Professional Marketing from the Chartered Institute of Marketing UK, and Associate Member of Institute of Bankers of Sri Lanka.

Mr G A Jayashantha

Chief Risk Officer
(Appointed to the Corporate Management in September 2020)

Skills and experience

Over 25 years of experience in the Bank with specialised skills in Retail Credit, SME, Treasury Operations and Assets and Liability Management, Risk Management and Corporate Credit including Offshore operations.

BSc (Special) Degree in Business Administration (University of Sri Jayewardenepura), MA in Financial Economics (University of Colombo), Diploma in Credit Management (Institute of Bankers of Sri Lanka), Associate Member of Institute of Bankers of Sri Lanka.

Ms W B P Rathnayake

Deputy General Manager (Compliance)
(Appointed to the Corporate Management in September 2020)

Skills and experience

Experience in all aspects of commercial banking with local and international exposure during her career spanning over 25 years.

Expertise in Corporate and Retail Credit and Risk Management and was instrumental in developing risk management policies and tools for the Bank.

BSc (Special) Degree in Agriculture (University of Ruhuna), MBA (Open University of Sri Lanka), Postgraduate Executive Diploma in Bank Management (The Institute of Bankers of Sri Lanka) International Diploma in Governance, Risk & Compliance (International Compliance Association, UK) and Associate Member of the Institute of Bankers of Sri Lanka.

Mr R M N Jeewantha

Deputy General Manager
(International, Treasury and Investment)
(Appointed to the Corporate Management in September 2020)

Skills and experience

Over 20 years of Banking experience in the areas of Treasury Management, Investment Banking, Financial Management, Credit Management and Retail Banking.

BSc (Special) Degree in Accountancy (University of Sri Jayewardenepura), MBA from the Postgraduate Institute of Management (PIM), Member of the Institute of Certified Professional Managers of Sri Lanka (ACPM) and Associate Member of the Institute of Bankers of Sri Lanka.

Mr M P Ruwan Kumara

Deputy General Manager (Finance and Planning)
(Appointed to the Corporate Management in September 2020)

Skills and experience

Over 20 years of experience in banking specialising in Financial Management, Strategic Planning, Investment Banking, Commercial and Overseas Banking operations.

BSc (Special) Degree in Accountancy (University of Sri Jayewardenepura), Commonwealth Executive MBA (CEMBA) (Open University of Sri Lanka), Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Associate Member of Certified Management Accountants of Sri Lanka, Associate Member of the Institute of Bankers of Sri Lanka and Member of the Sri Lanka Institute of Directors (SLID).

Mr S Sivanjan

Deputy General Manager (Support Services)
(Appointed to the Corporate Management in September 2020)

Skills and experience

Over 20 years of banking experience in Retail Branch operations, Credit, Recovery, Development Banking, Branch Transformation, Microfinance and Overseas operations.

BSc First Class Honours Degree in Science (University of Jaffna) and MBA (University of Colombo) specialising in Marketing.

Corporate Management

Mr B K Gurusinghe

Chief Legal Officer
(Appointed to the Corporate Management in September 2020)

Skills and experience

Attorney-at-law from the Sri Lanka Law College.

Over 25 years of experience as a banking professional, with expertise in Corporate Banking, Retail Banking, Credit and Organisational Transformation.

BSc (Special) Degree in Business Administration (University of Sri Jayewardenepura), Commonwealth Executive MBA (CEMBA) (Open University of Sri Lanka), Postgraduate Diploma in Business and Financial Administration (PgDBM) from the Institute of Chartered Accountants of Sri Lanka, Diploma in Credit Management (Institute of Bankers of Sri Lanka), Membership in several organisations such as the Institute of Bankers of Sri Lanka and the Sri Lanka Bar Association.

Mr M R N Rohana Kumara

Deputy General Manager
(Recovery Provinces, Business Revival and Rehabilitation)
(Appointed to the Corporate Management in January 2021)

Skills and experience

Over 20 years of experience in the Bank including executive leadership roles in Recovery, Retail Credit and Project Finance.

Contributed towards enhancing organisation-wide credit skills through his role as a resource person of the Bank's Central Training Institute.

BSc First Class Degree in Mathematics (University of Kelaniya), Executive Diploma in Leadership (Northern Illinois University, USA) and Associate Member of the Institute of Bankers of Sri Lanka.

Mr A R F John Pulle

Deputy General Manager
(Branch Credit Operations Range I)
(Appointed to the Corporate Management in July 2021)

Skills and experience

Over 31 years of experience in all aspects of commercial banking, specialising in Treasury Management, Retail Banking, Risk Management and Overseas Banking operations. He has also served as the Head of Treasury in Bank of Ceylon, Chennai and as the Chief Executive Officer of Bank of Ceylon (UK) Ltd in London.

B.Ph First Class Degree in Philosophy from the Universita' Pontificia Salesiana, Italy and an Associate Member of the Institute of Bankers of Sri Lanka.

Mr Nilantha Meneripitiyage

Deputy General Manager
(Corporate and Offshore Banking)
(Appointed to the Corporate Management in July 2021)

Skills and experience

Career banker with over 30 years' experience in both local and overseas operations in areas such as Corporate Banking, Retail Banking, Risk Management, Credit Card operations, Treasury operations and Information Technology.

Has served as the Chief Executive Officer/ Executive Director of Bank of Ceylon (UK) Ltd., and Assistant General Manager (Risk Management). His experience includes the handling of large-scale businesses and government sector infrastructure projects.

BSc (Management) Honours (Special) Degree and a Master of Science (Management) degree from the University of Sri Jayewardenepura, Diploma in Banking and Finance, Associate of the Institute of Bankers Sri Lanka.

Served as a visiting lecturer affiliated to the Post Graduate Studies Department of the University of Moratuwa, The Institute of Bankers of Sri Lanka, Export Development Board and the Central Training Institute of the Bank of Ceylon.

Mr K A D Wijayawardhane

Deputy General Manager (Human Resource)
(Appointed to the Corporate Management in October 2021)

Skills and experience

Over 20 years of experience in the Bank specialising in Branch Banking, executive leadership in Human Resource operations, Credit and Retail Banking.

BSc (General) Second Class (Upper Division) Honours Degree (University of Kelaniya), Postgraduate Diploma in Business Management (University of Wayamba), Diploma in Banking and Finance from the Institute of Bankers of Sri Lanka and Life Member of the Association of Professional Bankers (APB), Sri Lanka.

Mr K A Ajith Karunarathne

Deputy General Manager (Product and Banking Development)
(Appointed to the Corporate Management in December 2021)

Skills and experience

Over 20 years of experience in the Bank specialising in the areas of Branch Banking, Trade Finance, Corporate and Premier Banking operations.

Multi-disciplinary experience in Retail Banking and executive leadership roles in multiple provinces with responsibility for Business promotion, Administration and Human Resource.

BSc (Special) Degree in Business Administration (University of Sri Jayewardenepura), Master of Business Administration (Wayamba University of Sri Lanka), Member of AAT and Associate Member of the Institute of Bankers of Sri Lanka.

Mr P Maduwantha Liyanage

Chief Internal Auditor
(Appointed to the Corporate Management in December 2014)

Skills and experience

A finance professional with over 23 years of experience in banking and finance.

Prior to joining Bank of Ceylon as the Chief Internal Auditor, he has served at the Commercial Credit and Finance (PLC) Ltd. and Pan Asia Bank in the same capacity.

BSc (Special) Degree in Accountancy and Financial Management (University of Sri Jayewardenepura), Fellow member of the Institute of Chartered Accountants of Sri Lanka and Member of Certified Information Systems Auditors (CISA) of ISACA – USA.

Mr Sameera D Liyanage

Chief Marketing Officer
(Appointed to the Corporate Management in August 2020)

Skills and experience

Over 24 years of professional expertise in banking and marketing across both public and private sector Institutions.

Awarded the Chartered Marketer status in 2015 by the Chartered Institute of Marketing (UK).

Postgraduate Diploma in Marketing from the CIM UK, Member of the CIM UK, SLIM and Association of Professional Bankers Sri Lanka.

2 Executive Management

Ms P P M Wijesekara
Assistant General Manager – Credit Audit

Ms A M R D Subasinghe
Assistant General Manager – Recovery Provinces

Ms T Perera
Assistant General Manager – Training and Development

Mr K G C Deepal
Assistant General Manager – Information Systems Audit

Ms J Gnanasambanthan
Assistant General Manager – Treasury Back Office

Ms R M M Weerasekera
Assistant General Manager – Branch Credit (Range I)

Ms M M R P Fernando
Assistant General Manager – Trade Services

Ms K P Mallika
Assistant General Manager – Investigations

Mr I S N Perera
Assistant General Manager – Accounting and Tax

Ms S P C K Fernando
Assistant General Manager – Corporate Credit

Ms Zeena Ruwais
Assistant General Manager – Budget, Strategic Planning and MIS

Mr G K G Mahinda Bandara
Assistant General Manager – North Central Province

Ms D R C S Udayakumari
Assistant General Manager – Branch Operations

Mr W M A Wanigasekera
Assistant General Manager – Superannuation Schemes

Ms P M Withana Arachchi
Assistant General Manager – Centralized Operations

Ms H M M D Herath
Assistant General Manager – Overseas Branches

Ms S H M M P Herath
Assistant General Manager –
Offshore Banking

Ms K K I C K Kannangara
Assistant General Manager –
Recovery Corporate

Mr S Aruna Kumara
Chief Executive Officer –
Bank of Ceylon (UK) Limited

Mr M T S A Perera
Assistant General Manager –
Product Development and Business Process Re-Engineering Project

Ms S Pirapaharan
Assistant General Manager –
Central Credit Operations

Mr S K Wickramasinghe
Assistant General Manager –
Pettah Branch

Mr D A S S Wimalasiri
Assistant General Manager –
Consumer and Development Banking

Ms K J Yogaratnam
Country Manager –
Chennai

Ms C P C Abeyratne
Assistant General Manager –
IT (Operations/Technical Support)

Ms N W J S P Nanayakkara
Deputy Chief Legal Officer
(Recovery)

Ms J M P W Tilakaratna
Deputy Chief Legal Officer
(International, HR and General Operations)

Ms N N Nishanadee
Deputy Chief Legal Officer (Credit)

Mr S B A M G S Arampath
Country Manager –
Malé

Mr M M E I Bandara
Assistant General Manager –
Electronic Banking Centre

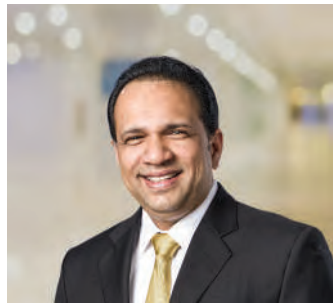
Mr W M N D Dayawansa
Assistant General Manager –
Sabaragamuwa Province

Mr J K D Dharmapala
Assistant General Manager –
Compliance

Executive Management

Ms K Deepa Kumari
Assistant General Manager – Credit Risk

Mr S P K Liyanage
Assistant General Manager – Western Province North



Mr D M A Madhawa
Assistant General Manager – Corporate Relations

Mr A R Mallikarachchi
Assistant General Manager – Administrative Services

Ms W K L B N Samanthie
Assistant General Manager – Western Province South

Mr R M Samarakkody
Assistant General Manager – Market Risk and Operational Risk

Mr V Sivananthan
Assistant General Manager – Northern Province

Mr A W R Thushantha
Assistant General Manager – Treasury

Mr S W M S Wijesinghe
Assistant General Manager – Central Province

Mr A T Hettiarachchi
Assistant General Manager – Marketing

Ms S S T Kulasekera
Assistant General Manager – Project Finance

Ms P Chandradeva
Assistant General Manager – IT (Security and Compliance)

Mr H K Rajapakse
Assistant General Manager – IT (Delivery Channels)

Ms W A G L Weerakkody
Assistant General Manager – Branch Credit (Range II)

Ms M A D P Dias
Assistant General Manager – Human Resource Operations

Mr N Krishnakumar
Assistant General Manager – Business Revival and Rehabilitation (Corporate)

Mr I K Nawaratne
Assistant General Manager –
Uva Province

Ms N R D N Perera
Assistant General Manager –
Western Province Central

Mr R P D R R Ruwanpathirana
Assistant General Manager –
International

Ms T S Senanayake
Assistant General Manager –
Operational Audit

Mr I U K D Wijegunawardena
Country Manager –
Seychelles

Mr O G C G Bandara
Assistant General Manager –
Research and Development

Mr D K R Delgoda
Assistant General Manager –
North Western Province

Mr S K Gajanayaka
Assistant General Manager –
Business Revival and Rehabilitation
(Provinces)

Ms B C Martyn
Assistant General Manager –
Eastern Province

Mr S A N C Piumal
Assistant General Manager –
Digital Product Promotions

Mr K W Y B Premarathna
Assistant General Manager –
Southern Province

Mr B V C G P Ranasinghe
Assistant General Manager –
Metropolitan Branch

Mr S Sabesan
Assistant General Manager –
Sustainable Banking

Mr M R A Shakoor
Assistant General Manager –
Investments

Mr K M C N Kodituwakku
Assistant General Manager –
IT (Application Systems)

3 Value Creation Model

INPUTS

Capitals

Financial Capital

LKR 254.1 billion shareholder's funds

LKR 3.3 trillion deposits

LKR 646.0 billion borrowings

Manufactured Capital

2,166 Customer touch points

LKR 34.8 billion worth of fixed assets

Human Capital

8,209 employees

59% female representation

11+ years average length of service

LKR 73.9 million investment in training and development

Social and Relationship Capital

14.9 million customers

784 correspondent relationships

602 registered suppliers and service providers

Intellectual Capital

LKR 53.9 billion brand value

Natural Capital

25,301.4 Mwh energy consumption

283,463 m³ water consumption

47 acres land area utilised by the Bank

2 new special loan schemes introduced for green technology

VALUE TRANSFORMATION

Business lines

Retail Banking
(pages 65 to 69)

Corporate and Offshore Banking
(pages 70 to 73)

International, Treasury, Investment, and Overseas Operations
(pages 74 to 77)

Activities

- Lending
- Refinancing
- Transactional banking and payment services
- Deposit accepting
- Fund management
- Trustee, custodian and portfolio management services
- Investment banking
- Foreign exchange and securities management
- Advisory services
- Trade financing

BANK OF CEYLON
Bankers to the Nation

Fundamentals

Sound corporate governance and risk management
(pages120 to 156)

Stakeholder outcomes
(pages 78 to 118)

Resource allocation and capital trade-offs
(pages 53 to 54)

Embedding sustainability
(pages 55 to 59)

OUTPUTS

Access to capital

LKR 2.6 trillion (+0.3%)
gross loans and advances portfolio

Access to financial services

620.5 million (+21%)
transactions processed

Modern digital banking

LKR 1.8 billion
investment in digital infrastructure

48%
of transactions through digital or electronic banking channels

614,401
registrations for digital banking products and platforms

Sound investment thesis

LKR 1.6 trillion (+44%)
fund management portfolio

LKR 146.0 billion (+117%)
interest income from investments

Employee remuneration, training, and development

average **16 man-hours**
of training delivered per employee

LKR 29.0 billion (+16%)
staff salaries, wages, and incentives

OUTCOMES

Macroeconomic stability

2,500
direct and indirect jobs created

USD 3.2 billion
inward remittances recorded

LKR 31.9 billion
value to the Government

National development

USD 1.9 billion
facilitated for fuel and gas importation

LKR 52.6 billion
in concessionary facilities to MSMEs during the year

Financial inclusion

LKR 570.0 million
transactions executed through BoC Connect

LKR 13.1 billion
disbursed to the microfinance sector

31%
of microfinancing to women-owned/women-headed businesses

Resilient businesses

LKR 74.4 billion
moratoria granted

33
businesses successfully rehabilitated

22
businesses under revival support

Satisfied customers

35
Net promoter score

78%
Customer satisfaction rate

High-performing team

588
merit-based promotions awarded

LKR 3.5 million
value addition per employee

LKR 3.8 million
profit per employee

Stable and sustainable bank

77%
total income growth

14%
asset growth

LKR 53.9 billion
brand value

Response to local and global challenges

LKR 4.7 billion
financing disbursed after ESMS compliance

LKR 711.6 million
new facilities under green financing

3,219.3 Mwh
solar power generated

3 Economic Value Added (EVA)

An analysis of the Bank's value creation and allocation among the key stakeholder groups is depicted below:

	2022 LKR million	2021 LKR million	Change %
VALUE ADDED			
Income earned by providing banking services	494,578	284,832	74
Cost of Services	(252,715)	(140,946)	79
Value added by banking services	241,863	143,886	68
Non banking income	18,571	5,531	236
Impairment charges for loans and other losses	(87,156)	(43,734)	99
Value Addition	173,278	105,683	64
Value Allocation			
To Employees			
Salaries, Wages and Other Benefits	28,991	24,982	16
To Government			
Dividends paid to Government of Sri Lanka	346	1,846	(81)
Income Tax	13,550	9,836	38
Surcharge Tax	6,739	–	100
Taxes on financial services	11,313	9,027	25
	31,948	20,710	54
To Community			
Social responsibility projects	60	80	(24)
To Providers of External Funds			
Interest on other borrowings	89,293	16,944	427
Interest on debt issued	8,358	7,314	14
	97,651	24,259	302.54
To Expansion and Growth			
Retained Profit	31,626	35,744	(12)
Surcharge Tax	(6,739)	–	100
Depreciation and amortisation	4,287	4,146	3
Deferred Taxation	(14,546)	(4,237)	243
	14,628	35,653	(59)
	173,278	105,683	64

Economic Value Added (EVA) indicates the true economic profit of an organisation. EVA is an estimate of the amount by which earnings exceed or fall short of required minimum return for shareholders at comparable risks.

	2022 LKR million	2021 LKR million
Invested capital		
Average shareholders' funds	213,042	177,090
Add: Average cumulative impairment provision for loan losses and other losses	244,864	162,906
	457,906	339,996
Return on invested capital		
Profit after taxation	31,972	37,590
Add: Impairment provision for loan losses and other losses	87,156	43,734
Less: Loans written off	(19)	(77)
Total return on invested capital	119,110	81,247
Opportunity cost of invested capital*	(104,265)	(19,210)
Economic value added	14,844	62,037
	22.77%	5.65%

*Calculated based on weighted average 12 months Treasury bill rate 2022 – 22.77% (2021 – 5.65%)

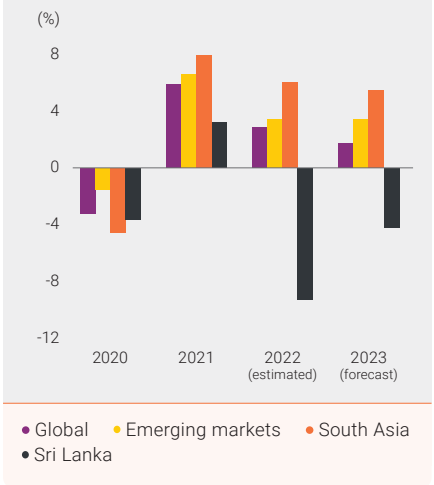
Global Economy

Economic activity, which was severely hampered by the pandemic in the previous years, saw continuation of COVID-19 pressures as China responded to rising caseloads that peaked in late 2022; leading to prolonged lockdowns and delayed reopening of borders. Additionally, escalation of the conflict between Russia and Ukraine into wider geopolitical turbulence, further disrupted global energy markets and intensified pressure on already fragmented supply chains. The conflict in Europe swept the global economy back into crisis mode and affected global growth prospects. However, reopening of economies towards the end of the year, particularly in China, contributed to an uptick as overall GDP growth in 2022 was estimated at between 2.9% and 3.4% .

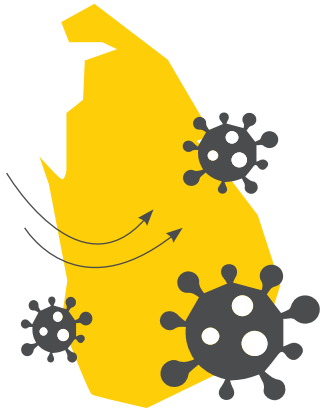
The ongoing conflict in Ukraine continued to impact prices of key global commodities in 2022 as oil, gas, steel, and grain prices reflected the turbulent geopolitical climate, even as economic sanctions against Russia have added to the market impact. While commodity prices saw a gradual decline towards the end of the year, currency depreciation especially in developing and emerging economies has resulted in persistence of high costs in local currencies.

Rates of inflation reaching the highest point in several decades remained a significant concern for many countries, resulting in a concentrated impact on communities as cost-of-living climbed steeply and impacted household budgets while eroding purchasing power. Inflationary pressures declined somewhat towards the end of 2022, through the concerted efforts of the Central Bank driven monetary tightening and resulting slowdown of economic activity. However, high core inflation has persisted in many countries, setting the stage for continued inflationary pressures to be felt across the globe in the year to come. Continued intervention from central banks in the form of raising interest rates is expected to increase the cost of borrowing for consumers and businesses who are already grappling with higher cost of goods and services.

Real GDP Growth Rate



Sri Lankan Context



On the back of two years of economic challenges following the Easter Sunday attacks and the COVID-19 pandemic, Sri Lanka experienced the fallout of multiple economic shocks that pronounced the effects of long-standing structural issues and fiscal, external sector, and financial sector imbalances. 2022 proved to be the most challenging year for the Country since achieving independence. With estimates indicating Sri Lanka's economy could have contracted by as much as 9.2% in 2022[ii], this stark turnaround reversed the gains of 2021, in which the economy had displayed signs of a slow recovery and an overall GDP growth rate of 3.3%.

The Country's fiscal position that had been deteriorating over the last two years amidst reduced government revenue and increased expenditure, worsened significantly during the year. 2022 saw the state's foreign reserves reach precariously low levels as servicing obligations and a growing import bill pressured an already cash-strapped position.

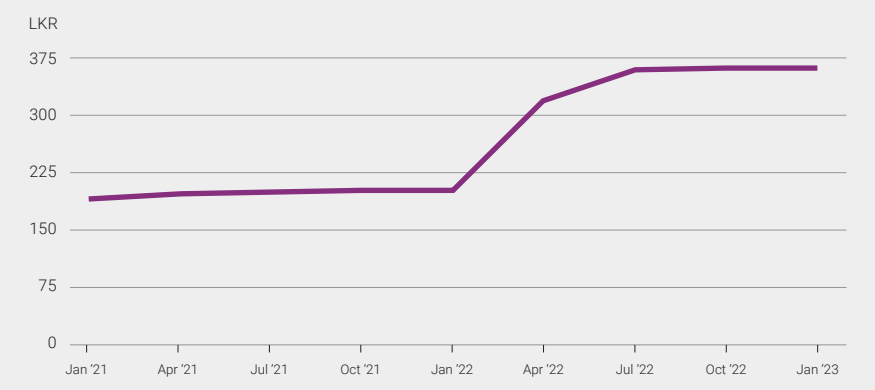
Inward remittances that had seen a decline in the previous years continued to impact the Country in 2022, alongside sluggish recovery in tourism earnings. Following the Central Bank of Sri Lanka (CBSL) decision to float the exchange rate in March 2022, the SL Rupee depreciated sharply. Sri Lanka's import costs bore the brunt of rising energy

ii World Bank. 2023. Global Economic Prospects, January 2023. Washington, DC: World Bank.

Operating Context

prices in line with global trends, and were even more pronounced because of the depreciating Rupee. At the same time, the Government announced default of foreign debt obligations at the beginning of the second quarter, resulting in a downgrade of sovereign credit rating.

USD vs LKR (Jan 2021 – Jan 2023)

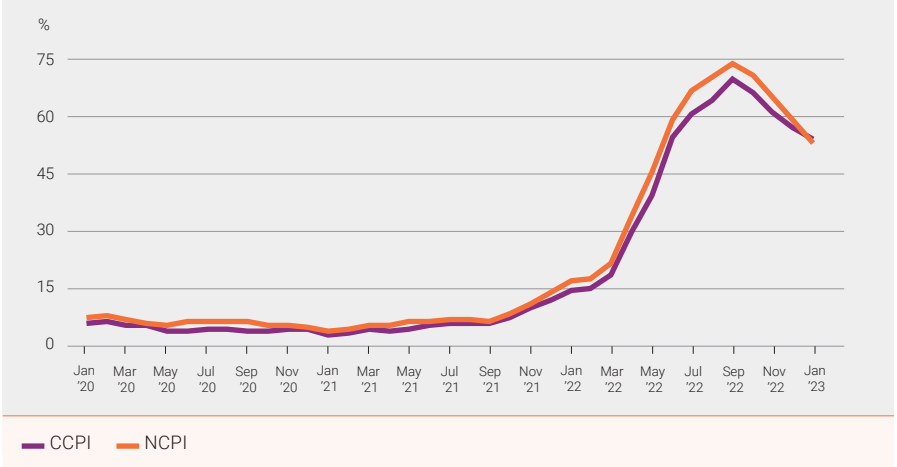


Source: Central Bank of Sri Lanka

During this period, shortages in import of essentials such as fuel, gas, and pharmaceuticals were commonplace, leading to disruptions to business and transport, social unrest, public protests, and change in Government at the beginning of the third quarter.

Sri Lanka's inflation, meanwhile, reached to extraordinary levels, peaking at nearly 70% in the last quarter of 2022. In response to hyper-inflationary pressures, CBSL took steps to tighten monetary policy and raise interest rates by a significant margin.

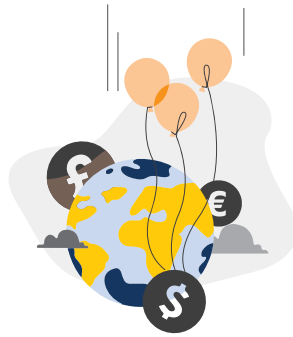
Inflation: CCPI and NCPI



Source: Central Bank of Sri Lanka

Shift to a high interest rate regime, a depressed economic environment, and rating downgrades placed severe pressure on the Country's financial sector.

Economic Stressor



Float of exchange rate

Stakeholders impacted

Floating of the exchange rate narrowed influence of the kerb-market and incentivised inward remittances through formal channels. Further relaxing of FOREX related restriction in 2023 indicates continued moves towards a market-driven exchange rate.

Export customers recognised an increase in margins and enjoyed the benefits of greater price-competitiveness, as did the Country's tourism sector.

However, import-reliant customers recognised an increased expenses and demand decline that eroded margins. Import restrictions also hampered business. Heavy reliance on imported inputs also impacted a much wider range of local industries and contributed to cost-push inflationary pressure. Customers representing local industries benefited by import substation saw new growth opportunities.

Retail customers recognised an increased cost of goods and services that had an import footprint, and price increases across the board due to rising transport costs. Communities saw commodity shortages and price escalation that placed pressure on food security. Price escalation even affected what was considered basic foods: such as dhal, rice, and dried fish, all of which had a significant import footprint.

Hyper-inflationary environment

Stakeholders impacted

Customers | Business partners | Employees | Community and Environment

Extraordinary inflationary pressures resulted in significant increase in cost of living felt by all citizens of the Country. Corporate customers were also affected by inflationary pressures as cost of services and utilities increased dramatically.

Foreign exchange liquidity crisis

Stakeholders impacted

Customers | Business partners | Shareholder and fund providers | Community and Environment

Forex became one of the most critical and limited resources in the Country, during 2022.

Lack of foreign exchange liquidity led to shortages of essential goods. The impact was felt broadly, including in transport, power and energy, food, and healthcare. Disruptions to transport and electricity hampered communities across the Country and placed heavy pressure on business continuity for customers.

The FOREX liquidity crisis also placed pressure on customers with regard to servicing obligations and making essential payments.

Sovereign default and ratings downgrade

Stakeholders impacted

Customers | Shareholder and fund providers

Default on sovereign debt obligations during 2022 led to downgrade of Sri Lanka's Sovereign rating, and ratings downgrades for financial institutions and many corporate customers across the board.

High-interest regime

Stakeholders impacted

Customers | Employees | Business partners | Community and Environment

Sri Lanka transitioned from a low-interest to a high-interest regime almost overnight, as the Central Bank of Sri Lanka (CBSL) increased policy rates by 7% in April 2022. Policy rates were a primary tool utilised by the CBSL in managing inflation during the year. Further measures by the regulator to raise the SDFR and SLFR in 2023, are in line with continued monetary policy measures to curb inflation.

A three-fold increase in AWPLR lending rate to corporate customers – served as a dampener for credit growth to the private sector, which also saw reduced demand due to other external economic stressors. Corporate customers faced severe escalation in funding cost and margin requirements, with largest impact felt by highly leveraged businesses.

Retail borrowers were sandwiched by escalated cost of living and increased loan repayment rates. Borrowers on variable interest rates (VIR) were hard hit, but were supported by regulator-driven concessions such as rescheduling and restructuring of facilities and concessionary rate adjustments.

Meanwhile, depositors saw gains from higher interest rates and the market saw increased interest in time deposits.

Operating Context

Banking Sector

Sri Lanka's Banking sector saw deterioration of asset quality across the board as borrowers were hard hit by the Country's economic crisis, further compounded by high interest rates. The year saw Licensed Commercial Banks (LCBs) impacted by higher provisions, coupled with increased expenses and taxes; all of which impacted profits.

Erosion of disposable income, deteriorating business prospects amidst the breakdown of economic fundamentals, fuel and energy crises, social unrest, and political instability severely affected business activity. Apart from limiting credit growth in the private sector, these economic pressures also resulted in higher provisioning in loans and advances. As a result of these changes, and continued uncertainties, Stage 3 loans ratio grew significantly.

However, banks saw a significant increase in Net Interest Income (NII) during the course of the year, in line with increasing interest rates. At the same time, depreciation of the Sri Lankan Rupee positively affected Bank's Income Statements by way of revaluation gains.

Amidst pressures on liquidity and capital adequacy, the banking sector was given a reprieve as the regulator permitted LCBs to drawdown on capital conservation buffers.

Challenges faced by the Banking Industry

- Access to foreign currency funding sources limited due to sovereign downgrade
- Decline in CASA ratio resulting in higher cost of funds
- High interest rates resulting in narrower margins
- High inflation leading to escalation in operating cost
- Erosion of customer cashflows led to deteriorated asset quality
- Limitations to loan growth due to low demand for credit and high interest rates
- Continuous disruption to operations due to COVID-19, fuel crisis, and political and social unrest
- Slower growth in capital investments and expansion
- Fee income affected by import and export restrictions

Our Response

- Drive remittances to the country
- Facilitated to manage the foreign currency flow of the country
- Provided moratoria to customers in need
- Introduced a revival mechanism instead of recovery
- Ensured continous banking services amidst socio-economic crisis
- Employees are compensated for increasing cost of living
- Strategically managed the liquidity stress
- Strengthened the Balance Sheet through prudential provisioning

Economic Outlook in 2023 and Beyond

The global economy is projected to experience a decline in growth in 2023, with growth rates predicted to fall to 2.9%[i]. The continued response of central banks to inflationary pressures, especially in advanced economies where monetary authorities are attempting to balance management without triggering a recession, would be critical to Global economic prospects. Persistence of the conflict in Ukraine is another factor that would have a decided impact on economic activity across the globe in 2023 and beyond.

While global inflation is projected to decline to 6.6% in 2023, it is expected to remain well above pre-pandemic levels. At the same time, some emerging markets and developing countries will continue to experience extraordinarily high levels of inflation. In this scenario, protecting communities from rising costs will be a point of focus for Governments across the Globe.

i International Monetary Fund. 2023. World Economic Outlook Update, January 2023

PESTEL Analysis 3

BoC continuously monitors the operating environment using a PESTEL framework to identify material risks and opportunities that may affect its ability to generate value in the short, medium, and long term. The following are the critical factors that influenced the Bank's performance and strategy during the year.

Political

- Political instability and change in the Government during the year.

Economic

- Economic crisis-led disruptions and contraction of the economy in 2022.
- External sector imbalance continues, amidst foreign exchange liquidity crisis, default on sovereign debt obligations, and sharp devaluation of the Sri Lankan Rupee. However, trade deficit narrowing towards the year end, amidst regulatory restrictions and increased price-competitiveness of exports.
- Tourism sector faces fourth consecutive year of depressed performance due to global and local factors, although numbers picked up considerably compared with 2021.
- Driven by monetary policy to curb inflation, interest rates ballooned in 2022 after gradual increase at the end of 2021.
- Inflation levels skyrocketed and peaked in November 2022 brought on by global disruptions and deepening of the Country's economic crisis.
- Sovereign rating downgrade and resulting downgrades for corporations and declining investor confidence.
- Rising credit risk amidst deterioration of asset quality brought on by multiplicity of economic shocks and protracted economic stress.
- Decrease in worker remittances.
- Ongoing discussions on external and domestic debt restructuring.

Social

- Outward migration growing to unprecedented levels resulting in drain of skilled personnel and the attendant pressures on institutions and households.
- Social unrest and demand for more transparency and economic stability.
- Changing customer experience and expectations.
- Household stress and food insecurity resulting from affected livelihoods, reduced incomes, reduced purchasing power, rising cost of living.
- People faced difficulties to make essential FOREX payments such as student fees etc.

Technological

- Changes in the expectations, habits, and interactions of customers in a post-pandemic scenario (along with increasing numbers of Millennial and Gen Z customers more generally) leading to greater digitalisation and adoption of digital platforms and processes.
- Exponential efficiency and scale benefits from Robotic Process Automation (RPA) and workflow automation.
- Rapid growth in practical application of Machine Learning (ML) and Artificial Intelligence (AI) across all sectors, including personal interactions.
- Increased cybersecurity risk alongside greater digitalisation across all sectors.

Environmental

- Publication of Sri Lanka's Green Finance Direction by the CBSL, setting a direction for the Country's Sustainable Financing efforts.
- Environmental risks continue to grow in importance amidst progression of climate change across the globe.
- Greater expectation from multilateral and bilateral lenders for responsible lending decisions that include social and environmental considerations.
- Customer awareness of environmental implications continues to grow.

Legal

- Regulatory restrictions on foreign currency outflows from the banking system.
- Import restrictions on certain categories of commodities.
- New regulations and compliance requirements.
- Extension of debt moratoriums and concessions to crisis-affected borrowers during the year, and new concessions expected to be announced for the new year.
- Deferment of recovery action.
- Changes in the tax regime affecting corporates and individuals.

PESTEL Analysis

Potential Impact on BoC's Strategy and Performance

The trends in the operating environment had a significant impact on the Bank's strategy and performance, presenting both opportunities and risks that influenced the Bank's ability to create value.

Impacts

- Shortage of foreign currency affected the Bank's ability to fund cross-border transactions and has led to a decrease in import-related fee and commission income.
- With limited foreign currency resources available, certain sectors that were of national importance (e.g. essential imports) had to be serviced at the expense of other, perhaps more lucrative opportunities.
- High interest rate regime and pressures on capital limiting opportunities for growth of loan book.
- Loss to earnings and impact on profit margins due to increased provisioning.
- Limitation in sourcing foreign funding amidst Sovereign and institutional rating downgrade.
- Insufficient funds in inter-bank market which hampered inter-bank borrowing.
- Increased regulator oversight and reporting burden.
- Supply chain and transportation difficulties.

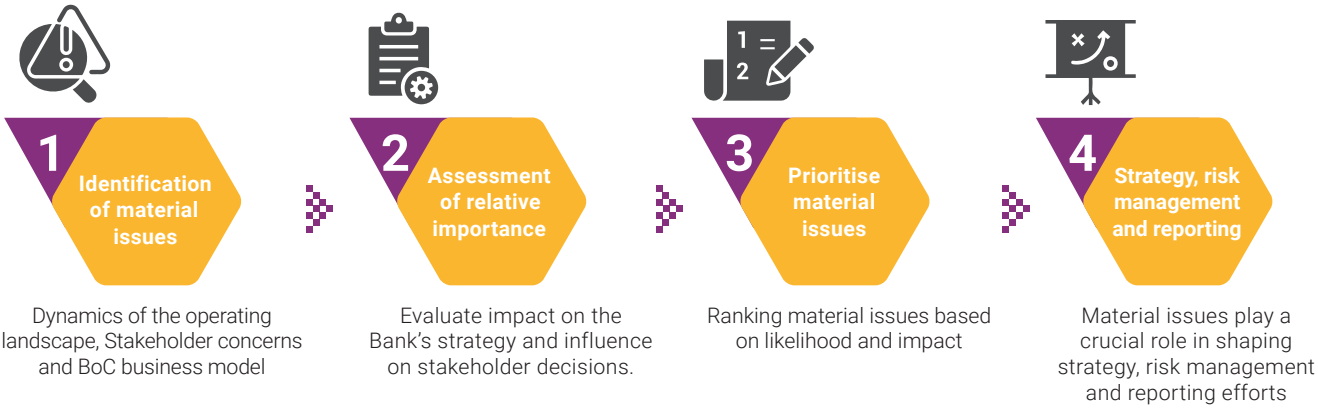
Opportunities

- Provision of working capital requirement to meet needs of businesses affected by the crisis.
- Growth in gross interest income due to high interest regime.
- Brand equity gains and customer loyalty gains from supporting customer priorities and national needs during the crises.
- Overseas operations, inward remittance market-share, and strength of cross-border relationships hold the bank in good stead amidst increasing criticality of foreign exchange.
- Space for growth in Bank's role as a Participatory Financial Institution (PFI) aligned with Sri Lanka's economic recovery.
- Retention of customer base holds promise for strong rebound and growth aligned with Country's economic recovery.
- Greater opportunities from the export sector that benefits from price-competitiveness and nationally supported growth opportunities.
- Improve digital penetration and digital literacy of the customer base.
- Leverage technology for increased process efficiencies and cost savings.
- Customer experience impacted by digitalisation stands to enhance the Bank's competitiveness.

Risks

- Increased credit risk due to reduced repayment capability of borrowers in the face of multiple economic crises, resulting in adverse effects on portfolio quality.
- Increased credit risk from government and state owned enterprises, in light of sovereign default and fiscal deficit.
- Increased liquidity risk throughout the year amidst regulatory requirements, adverse impact on portfolio quality, and shortage of foreign currency.
- Pace of digital advancement poses a threat of technological obsolescence.
- Increased people-related risks amidst growing outward migration and turnover, particularly among the younger demographic.
- Increased information security/ IT risk aligned with growth in digitalisation.
- Impact of climate change on climate-sensitive industries that play a key role in food security, rural development, and export earnings.
- With economic recovery a priority, environmental issues could be de-prioritised or downgraded.
- Pressure on NIM and impact on profitability.

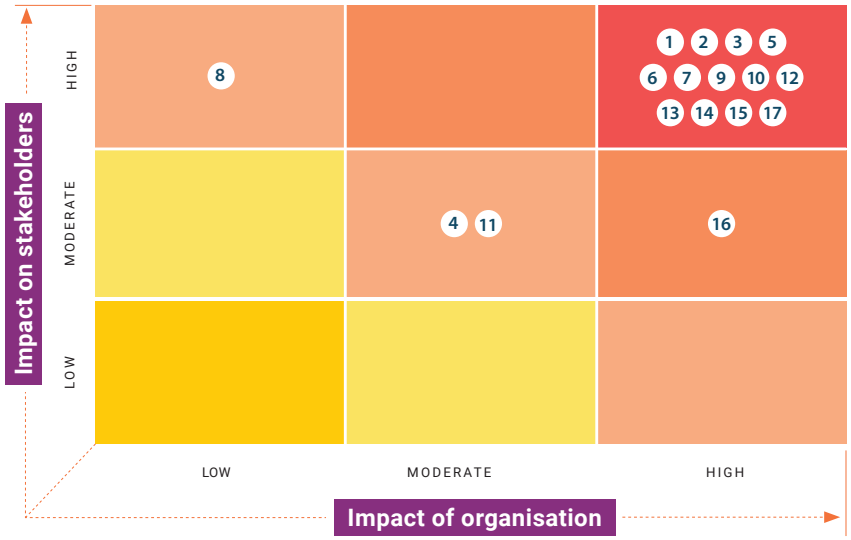
Material issues are significant internal and external concerns that can impact the Bank's ability to create value and meet the needs of stakeholders. The Bank follows a structured process to identify material topics that influence its strategy and operations, as outlined below:



The materiality assessment for 2022 was built on the material topics identified in the previous year. The Bank reviewed the scope of its material topics in line with changes in its operations and determined that there were no significant changes to its reporting boundaries. In the analysis, BoC revisited the 2021 material topics to confirm their relevance to the Bank and the operating conditions.

One of the two new topics added in 2020, customer support and business revival, continues to be material due to the ongoing implications of economic crisis. Meanwhile, macroeconomic developments and policy changes, which have been further elevated in materiality, remain among the most significant matters of 2022 due to the country's prevalent economic complexities and uncertainties.

Materiality Matrix



Material Topics

Stakeholder group	Relevant material topic	Why it is material to BoC	Our response to the material topic during the year	Change in materiality	Corresponding reporting standards (GRI, CSE-ESG Guidance, SASB Standards for Commercial Banks)	Contribution to UN SDGs
Customers	1 Customer support and business revival	The Bank has continued to lead the country's economic recovery by supporting business revival through rescheduling/restructuring facilities, cash flow monitoring and access to finance.	Refer: Business Line Reviews pages 65 – 77. Stakeholder Outcomes: Customers pages 78 – 88	–	SASB FN-CB-240a.1 Financial inclusion and capacity building SASB FN-CB-240a.2: Financial inclusion and capacity building	9 Industry, Innovation and Infrastructure; 10 Reduced Inequalities

Material Issues

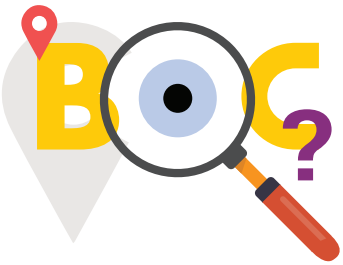
Stakeholder group	Relevant material topic	Why it is material to BoC	Our response to the material topic during the year	Change in materiality	Corresponding reporting standards (GRI, CSE-ESG Guidance, SASB Standards for Commercial Banks)	Contribution to UN SDGs
	2 Customer experience	Customer service has emerged as the key differentiator in the intensely competitive banking sector of Sri Lanka	Refer: Business Line Reviews pages 65 – 77. Stakeholder Outcomes: Customers pages 78 – 88	–		2 ZERO HUNGER
	3 Customer privacy and data security	Increased thrust towards digitisation has heightened vulnerability to customer privacy and security issues, thereby requiring organisations to strengthen IT security frameworks	Refer: Business Line Reviews pages 65 – 77. Stakeholder Outcomes: Customers pages 78 – 88	–	GRI 418: Customer privacy SASB FN-CB-230a.2: Data security	
	4 Responsible banking	Responsible lending practices underpin BoC's ability to drive impactful socio-economic change	Refer: Business Line Reviews pages 65 – 77. Stakeholder Outcomes: Customers pages 78 – 88 Stakeholder Outcomes: Community and Environment pages 103 – 113	–		
	5 Digitalisation and technology	Driving digital excellence is a key strategic aspiration for the Bank	Refer: Business Line Reviews pages 65 – 77. Stakeholder Outcomes: Customers pages 78 – 88	–		
Employees	6 Employee health and safety	During the tail end of the pandemic in early 2022 health and safety remained an area of concern. Ensuring employee well-being in a high inflation environment was another point of concern.	Refer: Stakeholder Outcomes: Employees pages 89 – 99	–	GRI 403: Occupational health and safety	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH
	7 Talent management and labour relations	Employees are vital in driving corporate strategy and are one of the Bank's most valuable assets, underscoring the importance of managing employee related issues effectively.	Refer: Stakeholder Outcomes: Employees pages 89 – 99	↑	GRI 401: Employment GRI 402: Labour/ Management relations GRI 404: Training and education GRI 407: Freedom of association and collective bargaining	
	8 Diversity and equal opportunity	BoC is committed to creating a diverse and inclusive workforce in which employees can thrive	Refer: Stakeholder Outcomes: Employees pages 89 – 99	–	GRI 405: Diversity and equal opportunity	
	9 Labour rights (outsourced/ contract)	BoC is committed to providing a safe and conducive work environment for all outsourced and contract employees engaged by the Bank	Refer: Stakeholder Outcomes: Employees pages 89 – 99	–	GRI 408: Child labour GRI 409: Forced or compulsory labour	
Community and environment	10 Macroeconomic developments and policy trends	Multifaceted challenges affecting Sri Lanka's economy and related policy developments have a direct impact on the financial sector's operations, performance and sustainability.	Refer: Operating Context pages 43 – 46 PESTEL Analysis pages 47 – 48 Stakeholder Outcomes: Community and Environment pages 103 – 113	–		7 AFFORDABLE AND CLEAN ENERGY, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 15 LIFE ON LAND, 1 NO POVERTY
	11 Climate change and environmental footprint	BoC is committed to driving down the environmental footprint of its operations while propagating sustainable practices through green lending	Refer: Stakeholder Outcomes: Community and Environment pages 103 – 113	–	GRI 302: Energy GRI 305: Emissions SASB FN-CB-410a.2: Incorporation of ESG factors in credit analysis	3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION

Stakeholder group	Relevant material topic	Why it is material to BoC	Our response to the material topic during the year	Change in materiality	Corresponding reporting standards (GRI, CSE-ESG Guidance, SASB Standards for Commercial Banks)	Contribution to UN SDGs
	12 Brand reputation	Consistently ranked as Sri Lanka's No.1 banking brand, the BoC brand is a key source of competitive advantage, underpinning its strong market position	Refer: Business Line Reviews pages 65 – 77. Stakeholder Outcomes: Customers pages 78 – 88	–		6
Shareholder and fund providers	13 Financial performance	Critical in ensuring commercial sustainability and continued value generation to stakeholders	Refer: Financial Review pages 60 – 64 Business Line Reviews pages 65 – 77 Shareholder Outcomes: Stakeholder and Fund Providers pages 100 - 102	–		12, 16, 17
Regulators	14 Socio-economic contribution and financial inclusion	As a state-owned bank, BoC's role extends beyond traditional banking to drive financial inclusion and socio-economic empowerment across the island	Refer: Stakeholder Outcomes: Community and Environment pages 103 – 113	–	GRI 201: Economic performance GRI 202: Market presence GRI 413: Local communities GRI 203: Indirect economic impacts SASB N-CB-240a.3: Financial inclusion and capacity building SASB FN-CB-240a.4: Financial inclusion and capacity building	1, 11, 16
	15 Regulatory environment, governance and compliance	A strong compliance culture and robust corporate governance practices underpins BoC's value creation process	Refer: Operating Context pages 43 – 46 PESTEL Analysis pages 47 – 48 Corporate Governance report pages 120 – 129 Risk Management report pages 140 – 156 Stakeholder Outcomes: Regulators pages 117 – 118	–	GRI 207: Tax GRI 419: Socio-economic compliance GRI 307: Environmental compliance	
Business partners	16 Responsible procurement	BoC engages with a large base of suppliers and ensures responsible practices in procurement through propagation of sustainable practices	Refer: Stakeholder Outcomes: Business Partners pages 114 – 116	–	GRI 204: Procurement practices	11, 16
	17 Bribery and anti-corruption	As a state-owned entity, nurturing a culture of anti-bribery and anti-corruption is vital in the responsible creation of shared value	Refer: Stakeholder Outcomes: Business Partners pages 114 – 116 Corporate Governance report pages 120 – 129 Embedding Sustainability pages 55 – 59	–	GRI 205: Anti-corruption GRI 406: Non-discrimination SASB FN-CB-510a.2: Business Ethics	

4

Our Strategy

Transformational Strategy



The Bank uses a comprehensive approach to determine its corporate strategy, resulting in the development of a three-year Corporate Plan. To stay abreast of the changing dynamics in the operating landscape, the Plan undergoes annual review and refinement.

BoC's strategy seeks to capitalise on its fundamental strengths, including its leading market position, to become a competitive, future-ready organisation that can respond and adapt with agility to an evolving operating environment. This transformational strategy was initiated in 2018 and undergoes annual review and revision as part of the Bank's strategic cycle.

Where We are Now

Strengths

- Market leader in assets, deposits, loans, inward remittances and customer penetration
- Unparalleled branch network
- Leading banking brand in the country
- Trust and confidence among public
- Large correspondent banking network with wide coverage
- Extensive stakeholder partnerships

Weaknesses

- Limited appeal to millennials and younger demographics
- Challenges in rolling out technology and innovation due to size of operations
- Legacy systems and challenges in integration
- Challenges in maintaining consistency in service quality and customer experience across all contact points due to extensive network
- Risk of high Stage 3 loan exposure

Opportunities

- Increasing digital adoption by customers
- Government thrust towards exports and SME sectors
- Increasing digital literacy in the country
- Opportunities in pursuing green finance
- Changing lifestyles of the population
- Expected economic revival with the post pandemic environment and negotiations of debt restructuring
- Reform and restructuring of SOE sector.

Threats

- Weakened macro-economic climate and stressed external sector
- Downgrading of Sri Lanka's sovereign credit rating
- Increasing competition from newer, more agile banks
- Increasing sophistication in customer demands
- Intensifying implications of climate change
- Cybersecurity risks
- Impact of foreign domestic debt restructuring.

Where We Want To Be

Excellence in customer service

Ensuring consistent and superior customer experience across all brick and mortar, and virtual platforms.

Retaining market leadership

Leverage the Bank's brand strength and unmatched customer penetration, offer relevant products and superior customer experience: to maintain market leadership position.

Leading in digital adoption

Transforming the experience of both internal and external customers by adopting cutting-edge technology.

Best in Sustainable Banking

Effectively address challenges prevalent in the economic, social and environmental spheres by deploying proactive and meaningful solutions.

How We Plan to Get There and How We Measure Success

Customer-centricity

- Net promoter score
- Customer satisfaction score
- Customers acquired
- Customer penetration
- Contact points
- Brand strength

Digital excellence

- Growth in digital transactions
- Customers on boarded to virtual platforms
- Digitally enabled customers
- Virtually enabled customers

Rewarding credit culture and healthy credit portfolio

- Growth in loan book
- Reduction in Stage 3 ratio
- Facilities rescheduled/ restructured
- Customer awareness programmes held

Building a high performing team

- Retention rate
- Training hours per employee
- Net profit per employee
- Value added per employee
- Female representation

Stability, governance and sustainable growth

- Economic value created
- Community investments
- Carbon footprint
- Renewable energy generated

Resource Allocation and Capital Trade-Offs

The following provides a summary of progress made against the Bank's transformational strategy. It utilises objectively verifiable indicators where possible to measure success, describes how resource were allocated during the year, and details critical interdependencies and trade-offs between capitals that impacted how the Bank created value in 2022.

	Customer-centricity	Digital excellence	Rewarding credit culture and healthy credit portfolio	Building a high-performing team	Stability, governance and sustainable growth
Financial capital	Interest rate rationalisation for "Personal and Pensioners' Loan Schemes" covering LKR 67.9 billion loan exposures LKR 2.2 billion investment in property, plant and equipment	LKR 1.8 billion investment in digital infrastructure	LKR 74.4 billion moratoriums granted LKR 259.2 billion impairment provision reserve	LKR 27.5 billion invested in compensation and benefits LKR 73.9 million invested in training and development LKR 28.9 million invested in staff safety and facilitation of access during crises	LKR 60.1 million investment in community engagement USD 1.9 billion allocated to finance essential imports (fuel and gas) LKR 711.6 million new facilities for green technologies funded by the Bank USD 90 million AIIB credit facility received fully disbursed to COVID-19 affected customers at a concessionary rate by end of 2022
Manufactured capital	19 branches relocated One new branch and three limited service branches opened 61 branches and off-site zones improved	75 CRMs installed			51 Solar-powered branches as of end 2022
Human capital	288 training programmes conducted on customer service	66% of new recruitments for IT and digital services	Eight new BRRUs established at provincial level 163 training programmes conducted relating to lending	588 merit-based promotions awarded 46 branches were awarded under BoC Spirit Awards 57 new recruitments	259 officers trained for E&S screening
Social and relationship capital	244 workshops conducted 1,019 customers benefited through education and awareness 57 new recruitments	2,706 new PoS machines 24 new IPG merchants	LKR 20.3 billion of customer cash flow is managed by BRRU	Performance Challenge Reward Scheme incentives granted to 168 branches	

Our Strategy

Resource Allocation and Capital Trade-Offs

	Customer-centricity	Digital excellence	Rewarding credit culture and healthy credit portfolio	Building a high-performing team	Stability, governance and sustainable growth
Capital trade-offs	**What did the Bank do?** Concessions, moratoria, and provisions were enabled. **How did the Bank do?** By allocating financial capital, at cost to the Bank's performance. These decisions retained customers, contributed to customer satisfaction, loyalty, and brand strength. **Result** a gain to the Bank's social and relationship capital and intellectual capital, and intensifies the Bank's physical footprint across the country. (-) Financial capital (+) Manufactured capital (+) Social and relationship capital (+) Intellectual capital	**What did the Bank do?** The Bank's continued investment in digital infrastructure (including cybersecurity infrastructure), and digital products and services was made possible **How did the Bank do?** By allocating financial capital. These investments contribute to future-proofing the Bank's business model, support customer experience and customer retention, unlock significant process efficiency improvements, and result in cost savings and increased revenue streams. **Result** a gain to the Bank's social and relationship capital, intellectual capital, and financial capital in the medium to long-term. (-/+) Financial capital (+) Social and relationship capital (+) Intellectual capital	**What did the Bank do?** The Bank prioritised revival and rehabilitation of business, as part of its customer-centric strategy. Extension of protection against rising interest rates and provision of moratoria and concessions were accommodated. **How did the Bank do?** By allocation of financial capital and human capital. In the long-term, support provided to customers and training of staff contributes to retaining creditworthy customers for future business, improves capacity of staff, and inculcates a credit-conscious culture. **Result** Gains to intellectual and human capital in the short and medium-term, and potential gains to financial capital in the long-term. (-/+) Financial capital (+) Human capital (+) Intellectual capital	**What did the Bank do?** The Bank is committed to investing in its workforce, and upholds an ethos of excellence and performance-based career development. Supporting the staff through disruptions and in a hyper-inflationary environment is required. **How did the Bank do?** Allocation of financial capital by adjusting component on the salary as per the inflationary linked index. These investments result in a multitude of short, medium, and long-term gains. **Result** Including competitiveness in attracting and retaining talent, a well-equipped workforce, improved employee engagement and loyalty, greater customer service/ experience, and results in greater productivity and efficiency. (-/+) Financial capital (+) Human capital (+) Intellectual capital	**What did the Bank do?** The Bank mainstreams sustainability and aligns with the CBSL's Sustainable Financing roadmap through green financing, E&S risk screening, financial inclusion, development lending, and reducing the Bank's environmental footprint. **How did the Bank do?** These require allocation of financial capital, manufactured capital, and human capital. **Result** These investments unlock greater opportunity for action as a PFI; improved brand presence and equity; a better equipped workforce; improved relationships with business partners, regulators, and communities; and improved environment alongside reduced environmental impact. (-/+) Financial capital (+) Manufactured capital (+) Human capital (+) Intellectual capital (+) Social and relationship capital (+) Natural capital
Progress against our strategy	NPS (35%) CSAT (78%) New customers acquired (4%) (652,961) Customer penetration 67% Contact points (61)	Growth in digital transactions volume 24% (2021 – 43%) Customers onboarded to virtual platforms (2021 – 610,083) Digitally enabled customers 30% (2021 – 31%) Virtually enabled customers % (2021 – 11%)	Growth in loan book 0.3% (2021 – 22%) Stage 3 ratio 5.3% (2021 – 5.1%) Number of customers revived 40 (2021 – 16) Customer awareness programmes held 1,019 (2021 – 58)	Retention rate (98%) Average 16 man-hours training per employee (2021 – 21.2 man hours) Net profit per employee LKR 3.8 million Value added per employee LKR 3.5 million 59% female representation (2021 – 60%%)	Economic value created LKR 173.3 billion Community investments LKR 60 million Carbon footprint 27,332.6 tCO_2eqv. Renewable energy generated 3,246.3 MWh 233 scholarships to *Nanajaya* beneficiaries 2,111 *Hapana* Grade 5 scholarships for *Ran Kekulu* account holders

Embedding Sustainability

As a responsible corporate entity, Bank of Ceylon is committed to aligning its impact on Sustainable Development Goals (UN SDGs) and to take holistic action towards addressing global challenges.

The Bank's performance in this regard is expressed in detail in the Stakeholder Outcomes section of the Report, from pages 78 to 119. The section includes clear signposting and referencing to highlight contribution to the SDGs.

When assessing performance against the SDGs, the Bank evaluates contribution to the broader principle of each goal and also attempts to measure performance via the globally accepted indicator framework for the SDGs, developed by an inter-agency expert group on the SDGs, and adopted by the UN General Assembly on 6 July 2017 (A/RES/71/313).

SDG 1: No poverty

TARGET 1.4

The Bank's efforts towards financial inclusion of vulnerable and underserved communities directly contribute to Target 1.4 and Indicator 1.4.1 – by ensuring men and women, with focus on the poor and the vulnerable, have equal rights to financial services, including microfinance.

BoC's branch network coupled with mobile and extension services, ensure that financial services are easily accessible and within reach for millions of Sri Lankans. In addition, microfinancing initiatives and focused development lending improve access to finance and contribute to economic development and poverty alleviation.

LKR 59.4 million
disbursement to BoC *Mithuru* microfinance groups during the year

130
BoC *Mithuru* groups formed during the year

LKR 4.3 billion
disbursed to women-headed/women-owned businesses

8%
of lending to women-headed/women-owned businesses (from total lending to MSMEs)

SDG 2: Zero hunger

TARGET 2.3 | TARGET 2.a

The Bank's extension of finance and support to the agricultural sector, in particular through development lending and advisory services that focus on SMEs, directly contributes to SDG 2 and Target 2.3 – by creating access to affordable capital and enhancing knowledge that can improve agricultural productivity and incomes of small-scale food producers, and create increased access to markets and opportunities for value addition. The Bank's role as a Participatory Financial Institution further contributes to Target 2.a – by increasing investment, especially through enhanced international cooperation, for rural infrastructure and the agriculture sector.

In 2022, the Bank has disbursed over LKR 12.5 billion in development lending to the agriculture sector (including livestock, dairy, aquaculture, fisheries, food processing and more). The Bank also funded the Paddy Marketing Board (PMB) with facilities amounting to LKR 9.1 billion as at year end. PMB is the Country's primary institution supporting food security, smallholder agriculture, and livelihoods of millions of Sri Lankans.

In addition, the Bank took steps to promote home gardening at institutional and household level, through its network of branches. 328 branches and 148 individuals engaged with "*Shasreeka Gewaththa*" home gardening programme in 2022.

SDG 3: Good health and wellbeing

TARGET 3.8 | TARGET 3.c

The Bank's extension of facilities to the healthcare sector, coupled with charitable support to local and national healthcare institutions directly contribute to SDG 3 and Target 3.c – by contributing to financing of the healthcare sector. Further, the Bank's support for import of essential pharmaceuticals during the Country's foreign exchange crisis, contributed to Target 3.8 – by improving access to safe, effective, quality, affordable, and essential medicines and vaccines.

In 2022, the Bank extended facilities amounting to USD 65.1 million to state importers of essential pharmaceuticals despite the foreign currency liquidity crisis that existed in the Country.

LKR 430.0 million
retail loans granted to healthcare, social and support services

Our Strategy

Embedding Sustainability

SDG 4: Quality education

TARGET 4.1 | TARGET 4.4 | TARGET 4.a

Supporting education is a key component of the Bank sustainability agenda. The Bank supports the entry of youth into the banking sector and provides them with continuous and comprehensive training and development, which directly contributes to Target 4.4 - by increasing the number of youth who have relevant skills to take up decent jobs in the financial sector. In 2022, the Bank provided training for 521 university students and 85 audit trainees, in addition to training 1,559 youth just out of secondary school.

BoC's provision of educational scholarships and support for educational programmes, workshops, and seminars, directly contributes to Target 4.1 – by enabling students to stay in school, and complementing state education with financial support and/or innovative learning opportunities that can lead to better learning outcomes. During the year, the Bank provided LKR 30 million in scholarships through the *Nana-jaya* programme; conducted 19 scholarship seminars that reached 21,000 students through the *Nana-mihira* programme; aired educational programmes through mainstream media (TV, radio, and print media); developed customised education programmes through the Bank's tvBoC team; organised targeted virtual seminars for Advanced Level (A/L) students; sponsored field visits to museums and other locations for school children; and carried out programmes that served as an introduction to financial literacy.

In addition, the Bank's ongoing projects supporting primary and secondary education, coupled with investment in community development through BoC *Gammana*, directly contributes to Target 4.a – by supporting the upgrade of education facilities to provide safer, more inclusive, effective learning environments for students.

49
staff training programmes conducted via e-Learning, TV BoC and MsTeams

663
total training programmes conducted during the year

GRI 405-1

431
staff availed maternity leave during the year

287
promotions for female staff during the year

SDG 5: Gender equality

TARGET 5.5 | TARGET 5.a

The Bank is committed to improving gender equality by creating opportunities for women, within the Bank and in wider society. Internally, the Bank's efforts contribute to Target 5.5 – by improving female representation and in leadership at all levels within the Bank. In 2022, 62% of new recruits were female, and women make up 51% of the Bank's total workforce. The Bank carries out activities focusing the female staff by "*Seva Vanitha* Society".

Additionally, a focus on empowering women and women-led businesses is part of the Bank's lending efforts, which contributes to Target 5.a - by improving women's access to economic resources and financial services. During the year 2022, the Bank provided LKR 1.7 billion to female entrepreneurs and women-owned or women-headed businesses through microfinancing. Further LKR 2.6 billion in development lending was disbursed to women-led businesses, with particular focus on SMEs across a variety of sectors.

SDG 6: Clean water and sanitation

TARGET 6.1 | TARGET 6.2 | TARGET 6.6

BoC's funding of major infrastructure development in the water supply and irrigation sector, coupled with lending to the State water supply and sanitation agencies, directly contributes to Target 6.1 – by supporting the achievement of universal and equitable access to safe and affordable drinking water. Lending to the state water supply and sanitation sector in 2022, amounted to LKR 362.5 million.

The Bank's community upliftment efforts including development of model villages through BoC *Gammana* also contributes to Target 6.2 – by upgrading rural sanitation and hygiene infrastructure and improving access for communities. Further, the Bank's environmental conservation efforts, including reforestation and conservation of a section of the *Hurulu* Forest Reserve as part of the BoC *Haritha Arana* project, contributes to Target 6.6 – by protecting and restoring Sri Lanka's precious water-related ecosystems.

SDG 7: Affordable and clean energy

TARGET 7.2 | TARGET 7.a

As part of Bank of Ceylon's sustainable financing initiative, the Bank engages in green financing, including taking part in refinancing initiatives as a participatory financial institution. These efforts directly align with Target 7.a and Indicator 7.a.1 – by tapping into international financial flows and improving access to clean technologies, renewable energy, and energy efficiency across the industrial and residential sectors. As part of green financing efforts, the Bank extended LKR 711.6 million in new facilities for green technologies.

The Bank also upholds its long-term commitment to reducing the environmental footprint of operations by adopting solar energy among branches and enhancing Bank's utilisation of renewable energy. These actions are in line with Target 7.2 and Indicator 7.2.1 to increase the share of renewable energy in energy consumption.

GRI 302-2

3,219.3 Mwh
electricity supplied to the National Grid

LKR 14.0 million
funds disbursed to purchase solar power system, electric bicycle and installation of Bio Gas plants

51
solar powered branches

SDG 8: Decent work and economic growth

TARGET 8.5 | TARGET 8.7 | TARGET 8.8 | TARGET 8.10

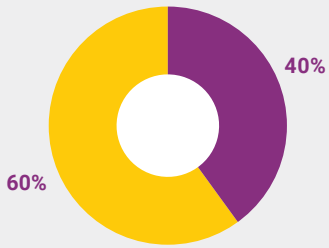
A commitment to Sri Lanka's macroeconomic stability while supporting national development, coupled with Bank of Ceylon's ethos of responsible banking and procurement and an ongoing commitment to employees result in many of the Bank's actions aligning with SDG 8.

Contributing to Target 8.5 - the Bank employs approximately 8,209 employees, invests in creating a conducive work environment and ensuring employee engagement, and ensures fair treatment and remuneration. All these contribute to ensuring full and productive employment and decent work for fair pay.

In alignment with Target 8.8, the Bank ensures a safe and secure working environment by investing in the health and safety of its employees, through medical reimbursement and assistance, routine awareness and trainings, and other concerted support. Further, with 100% of the Bank's employees included in collective bargaining agreements, the Bank upholds labour rights and ensures compliance with freedom of association and collective bargaining as per Target 8.8 and Indicator 8.8.2.

GRI 405-2

Payments for Employees



● Male ● Female

Aligning with Target 8.7 – the Bank's responsible practices extend to its supply chain through vetting, assessment, and spot-auditing of suppliers to eliminate risk of child labour, and forced or compulsory labour.

2,500
jobs created during the year

40
business revived during the year

LKR 29.0 billion
disbursed as salaries and pensions during the year

Being a Domestic Systemically Important Bank (D-SIB), Bank of Ceylon's wide reach, extensive network of customer touch points, efforts to promote a savings culture, and actions to promote financial literacy; all directly contribute to Target 8.10 and Indicators 8.10.1 and 8.10.2 - by expanding accessibility to financial services and increasing the proportion of the population utilising banking services.

SDG 9: Industry innovation and infrastructure

TARGET 9.1 | TARGET 9.3

The Bank's project financing directs funds towards large-scale infrastructure development projects. In line with Target 9.1 – these projects help develop quality, reliable, sustainable and resilient infrastructure.

Our Strategy

Embedding Sustainability

The Bank's development lending and concessionary loans, coupled with efforts of the SME Circle and Export Circle, contributes directly to Target 9.3 – by increasing access to financial services for SMEs and other small-scale industrial enterprises, providing access to affordable credit, and promoting integration into value-chains and enhancing market access.

LKR 1.8 billion
investment on IT systems and software

SDG 10: Reduced inequalities

TARGET 10.2 | TARGET 10.3 | TARGET 10.b | TARGET 10.c

The Bank has systematised and incorporated stringent processes that work to ensure equal opportunity while reducing inequality across the Bank's operations and extended to its supply chain.

In line with Target 10.2 - the Bank's wide network promotes economic inclusion of communities irrespective of sex, ethnicity, religion, financial status, or other factors. With regard to BoC employees, the Bank promotes appropriate internal policies, actions, and processes to ensure equality of opportunity and outcome, in line with Target 10.3.

The Bank's development lending and role as a Participatory Financial Institution, especially with regard to credit lines from multilateral and bilateral funders, contributes to achieving Target 10.b – by supporting official development assistance and financial flows.

The Bank's continuing efforts to prioritise and promote inward remittance also support Target 10.c – by incentivising and improving ease and security of migrant remittances, while minimising transaction time and cost.

LKR 52.6 billion
in development lending during the year

504
customer touch points in economical deprived areas (North, East, and Uva provinces)

SDG 11: Sustainable cities and communities

TARGET 11.1 | TARGET 11.2 | TARGET 11.4

Lending for residential housing is a significant component of the Bank's loan portfolio, and several schemes are provided at concessionary interest rates, thereby improving access to adequate and affordable housing for thousands of Sri Lankans. This is in line with Target 11.1. The Bank's housing loan portfolio amounted to LKR 78.2 billion as of end 2022.

The Bank's lending to the transport sector and for transport infrastructure development contributes to Target 11.2 – by improving access to safe, affordable and accessible transport systems, including public transport. BoC's lending to the transport and logistic sector as of end 2022 amounted to LKR 95.8 billion.

207
public transport providers supported with leasing facilities

LKR 10.0 million
in loans for electric vehicles and/or bicycles during the year

Further, Bank of Ceylon has provided long-standing support to Sri Lanka's cultural development including safeguarding of natural heritage, in line with Target 11.4. During the year, the Bank supported key institutions and associations tasked with religious and cultural development.

5
branches in progress in installing solar

7
branches in progress constructing as per Green Building Council of Sri Lanka (GBCSL) standards

9
branches completed as per the green building concept

SDG 12: Responsible consumption and production

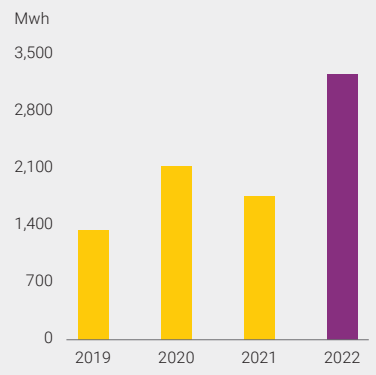
TARGET 12.2 | TARGET 12.5 | TARGET 12.6 | TARGET 12.7

The Bank's efforts to scale up digitalisation and process automation, coupled with a commitment to reducing the environmental footprint of operations, ensures that Bank of Ceylon incorporates responsible consumption and production in its operations.

In line with Target 12.2, the Bank works to reduce material consumption and achieve sustainable and efficient use of natural resources. In 2022, the Bank saved LKR 56.7 million worth of paper and toner through process automation. In line with Target 12.5, the Bank works to reduce waste generation and promote recycling. 21.9 MT of paper was recycled in 2022.

Bank of Ceylon's sustainability framework in place, and the Bank's incorporation of ESG information in corporate reporting are in line with Target 12.6. Further, the Bank's upholding of responsible public procurement practices and efforts to drive responsible practices throughout its supply chain are in alignment with Target 12.7.

Solar Power Generated



SDG 13: Climate action

TARGET 13.2 | TARGET 13.3

The Bank conducts a comprehensive assessment of its carbon footprint and is driving concerted efforts to improve institutional capacity and awareness in order to better recognise, assess, and respond to risks brought on by climate change. This is in line with Target 13.2 and Target 13.3.

373
fully grown trees saved during the year 2022 through paper recycling

SDG 15: Life on land

TARGET 15.1 | TARGET 15.2

The Bank's environmental initiatives such as the *Haritha Arana* project contribute to conservation and restoration of a vital freshwater ecosystem, while supporting reforestation and sustainable management. This is in line with Target 15.1 and 15.2. In 2022, the Bank invested LKR 3.3 million for the *Haritha Arana* project.

SDG 16: Peace, justice, and strong institutions

TARGET 16.5 | TARGET 16.10 | TARGET 16.b

The Bank upholds the highest level of transparency, accountability, and integrity in all its transactions. The Bank's strong policy framework includes policies for anti-corruption and anti-money-laundering (AML), these are in line with Target 16.5. As a state institution, the Bank adheres to the Right to Information (RTI) act, in ensuring public access to information – in line with Target 16.10.

Further, the Bank's internal processes and policies to prevent discrimination, contribute to achieving Target 16.b within an institutional setting.

GRI 205-2

	2022	2021	2020	2019	2018
Number of whistle blowing correspondence received	34	40	39	99	101

GRI 205-2

34
whistleblowing cases reported

3,069
customer complaints addressed during the year

<7
working days complaint response time

SDG 17: Partnerships for the goals

TARGET 17.3 | TARGET 17.17

The Bank leverages and promotes partnerships across its ecosystem to drive shared value creation, in line with Target 17.17. The Bank's role as a Participatory Financial Institution also contributes to Target 17.3, in serving as a conduit for multilateral and bilateral funding streams.

GRI 405-1

Membership payments made to **9** institutes

5

Our Performance

Financial Review

During the year 2022, the Country and the Bank faced extreme headwinds and heightened uncertainties that demanded an exceptionally high focus on strategies to manage the never-experienced situation and ensure stability of the Bank. Under this context, despite unprecedented changes to the operating environment, the Bank navigated challenges while prioritising business continuity and long-term sustainability of customers and the Sri Lankan economy.

The economic environment that prevailed during the year 2021 was very different to what we experienced during the year under review. During 2021, the Country had followed a low-interest regime with lending rates of 11% to 12%, and deposit rates of around 8%; the Government of Sri Lanka had consistently serviced facilities with no indication of default on Sovereign liabilities; and the SLR was buoyed by a pegged exchange rate while normal rates of inflation were prevalent. At the same time, the Country was in a phase of recovery as tourist arrivals and COVID-19 hit businesses indicated a gradual uptick after the worst of the pandemic.

Despite setting a course for 2022 based on these conditions, what followed was a stark turnaround in the operating environment. Sri Lanka's historically low interest rates shifted to a high-interest regime; the SLR depreciated heavily after the floated exchange rate; cost-push inflation drove a sharp rise in expenses; and ratings downgrades were consequent to sovereign default. The business environment was further hampered by prolonged disruptions to transport and energy, followed by social unrest in Sri Lanka's capital and other parts of the Island.

The Bank's agility in responding to these rapidly changing conditions is commendable. We adopted new processes and took stringent measures to ensure stability of the Bank whilst minimising negative outcomes for our stakeholders.

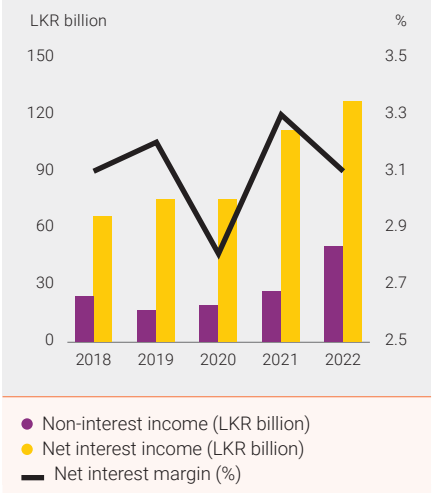
Therefore, the year 2022 can be named as a year of resilience and resolve for the Bank of Ceylon as our responsible governance and future-focused long-term strategy of supporting customers and communities. The Bank recorded Profit Before Tax (PBT) of LKR 31.0 billion, and growth in the Financial Position by 14% by preserving its industry leadership despite the severely challenging operating environment. This was an outstanding performance by the Bank, especially considering plans were made for a low-interest regime and against a vastly different economic backdrop.

Financial Performance

Total Income

The Bank's total income grew by 77% to reach LKR 513.1 billion by the end of the year, even as interest expenses grew by 121% to reach LKR 329.9 billion. Significant increase in interest expenses reflect changes to the Bank's deposit mix in line with the industry. This is primarily due to volatility in the country that resulted in a trend toward shorter-term deposits.

Trends in Income



Fund-based Income

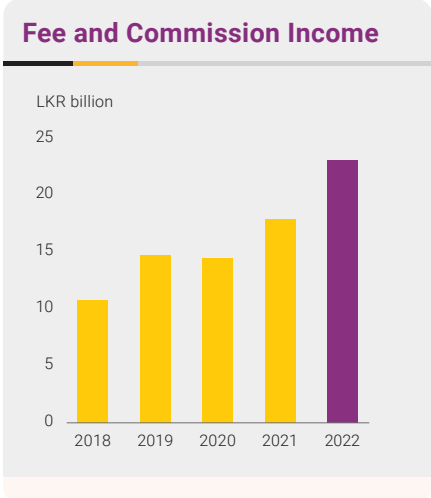
68% of the Bank's fund-based income was derived from interest income from loans and advances. The high interest rate scenario that prevailed in 2022 led to an increase in interest income from loans and advances by LKR 117.1 billion, reflecting 61% growth YoY.

Interest income on investment grew by 117% YoY with the upsurge of investments in government security portfolios.

However, as part of a series of concerted efforts to support customers and prevent the adverse impact of the rate hike, the Bank ensured that fixed rates were not changed to variables, variable linked personal loans were given preferential rates based on the circumstances and requests of the customers and moratoria were extended to special segments of the economy that were hardest hit. The Bank extended the benefits of interest rate rationalisation to customers, contributing to significant savings to businesses and households that were facing intensely difficult conditions brought on by the economic crisis. Concessions and benefits extended to customers are detailed in the Stakeholder Outcomes section of the Annual Report.

The Bank's focus on rehabilitation of businesses over recovery was expanded during the year. We honoured all concessions recommended by the Central Bank of Sri Lanka (CBSL) and extended the moratorium for crisis-affected borrowers. In addition, we pioneered initiatives to support the Country's Small and Medium Enterprise (SME) sector with initiatives such as the SME circle, which supported customers to transition their manufacturing and products and excel in the local market when import restrictions were in place. The Bank's Export Circle further supported export-oriented businesses and to drive export competitiveness of Sri Lankan businesses and help strengthen the Country's external sector performance.

Fee and Commission Income



We recorded a significant growth of 15% in net fee and commission-based income reaching to LKR 16.4 billion in 2022.

This achievement is despite depressed economic conditions and concerted efforts by the Bank to provide concessions to customers who were hard hit by the crisis and interest rate fluctuations.

In line with the Bank and the country's continued drive for greater digitalisation, we recorded a 65% increase in credit and debit card fee income to LKR 8.9 billion and representing 48% of the total fee income. This reflects success of the Bank's digitalisation efforts, with BoC also being awarded "Best Bank for Retail Payment" at the LankaPay Technovation awards 2022. Further information of the Bank's successes in digitalising the customer journey are disclosed in the page 85 under Stakeholder Outcomes section of this Annual Report.

Further, fee income from travel and remittances also increased by LKR 1.7 billion to reach LKR 3.7 billion during the year, backed by increase in foreign remittances and travel related activities especially during the latter part of the year.

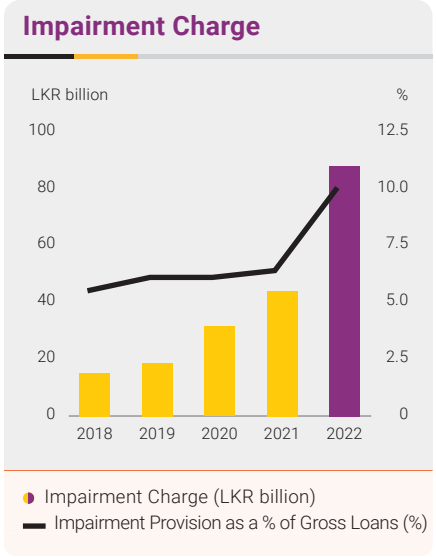
Other Income

The Bank posted a strong performance during the year, with other income amounting to LKR 34.0 billion; primarily due to the floated exchange rate and resulting conversions having a positive effect, as 30% of the Bank's balance sheet consisted of foreign currency assets.

Almost 81% depreciation of the SLR during the year led to net exchange gains derived from trading activities and currency conversion, which represents a considerable portion of the Bank's non-fund based income that amounted to LKR 32.9 billion for the year.

Fluctuations in the equity and share market due to the prevailing economic conditions negatively impacted the Bank as mark to market losses of LKR 804.4 million resulted from the equity and unit trust portfolio. However, through proactive engagement, the Bank was able to gain LKR 861.3 million in trading of equity and Government Securities.

Impairment Charge



The Bank's corporate customers faced multiple setbacks, including disruption to services and production, which eroded margins amidst depressed economic conditions as Sri Lanka's economy contracted by 7.8% in 2022. The country's ongoing economic crisis brought new challenges on the back of two years of pandemic-induced disruption. These factors had a significant effect on asset quality across the financial sector. In this scenario, the Bank's priority during the year was to support customers through challenges. Revival and rehabilitation of businesses continued to be a key area of focus, with the Bank focusing on long-term sustainability of customers, businesses, and the economy; instead of recovery.

Retail customers were similarly affected; facing cost of living increases alongside a sharp increase in interest rates. In response, Bank of Ceylon provided much-needed relief to customers by providing protection from interest-rate fluctuation, absorbing additional costs, and sharing benefits wherever possible.

Bank of Ceylon's efforts to revive and revitalise businesses while supporting customers, value chains, and communities, are disclosed in detail in the Stakeholder Outcome section of the Annual Report.

Expecting significant challenges during 2022 and beyond, and in line with Bank of Ceylon's stringent and prudent provisioning policies, we took steps to prepare for potential shocks with a substantial provision of approximately LKR 87.2 billion for loans and advances and investments in order to mitigate risks and strengthen the Bank's balance sheet.

From January 2022 onward, impairment provision for loans and advances and investment were provided in compliance with CBSL Directions No.13 and No.14 of 2021 on Classification, Recognition, and Measurement of Credit Facilities and Financial Assets. Thus, the impairment provision for loans and advances and financial investments was calculated to capture the expected losses associated with the customers or the investment instruments based on the possible consequences in current economic conditions, sector specific risk factors, new policy reforms, and present negotiations in foreign and local debt settlements by the Government.

Financial Review

Considering negotiations underway for settlement of foreign and local sovereign debt, the Bank set aside a considerable level of impairment provision for its investments in International Sovereign Bonds and Sri Lanka Development Bonds.

- Impairment Charge for the year for loans and advances: LKR 70.8 billion (Cumulative impairment provision LKR 259.2 billion)
- Stage 3 ratio: 5.3% (2021 – 5.1%)
- Stage 3 impairment to stage 3 loan ratio: 59.7% (2021 – 49.1%)
- Impairment charge for the year for investments in foreign currency denominated sovereign instruments: LKR 16.1 billion (Cumulative impairment provision LKR 53.5 billion)
- Management overlays were applied to identify risk-elevated industries which result in a significant increase in credit risk. Spillover effects of economic turmoil prevailing in the country and exposure to risk-elevated industries assessed as underperforming were taken into account for lifetime credit loss on a prudent basis.
- Economic Factor Adjustment (EFA) utilised in calculating expected losses for collectively assessed portfolios was enhanced by capturing the stressed economic conditions.
- Individually Significant Loans Customers (ISL customers) were also assessed critically and prudent level of ISL impairment provision was made, given the high degree of uncertainty and extraordinary circumstances in the short and medium-term caused by continuous disruption to businesses.

Expenditure Management

2022 led to a hyper-inflationary environment with inflation figures peaking in September. However, we were successful in managing our costs, even as operational costs climbed by 14%, primarily due to increase in personnel costs. Amidst double digit inflation, the Bank's effective cost controlling managed the increase in other expenses below 12%.

Rise in personnel costs reflected the Bank's decision to invest in employee well-being and retention, by providing a cost of living allowance in consideration of the economic crisis and rampant inflation. The Bank also provided employees with transport during the fuel crisis, ensuring business continuity and smooth operations for customers.

	2022 LKR '000	2021 LKR '000
Personnel expenses	28,991,429	24,981,940
Depreciation and amortisation expenses	4,286,899	4,146,256
Other expenses	14,018,161	12,552,393

Taxation

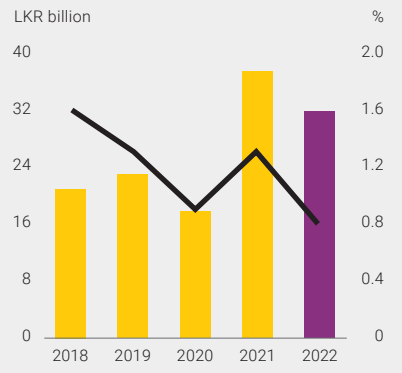
Value added tax (VAT) on financial services for the year increased by 22% to LKR 11.0 billion as the VAT rate increased from 15% to 18% with effect from 1 January 2022. The Bank also paid LKR 281.3 million to the newly introduced Social Security Contribution Levy of 2.5% during the year, while paying LKR 6.7 billion as the surcharge tax imposed as one-off tax charge during the year. Further, the Bank paid LKR 5.5 billion as income tax during the year.

Deferred tax reversal of LKR 14.5 billion was made during the year mainly due to deferred tax booked on specific provision made on foreign currency denominated sovereign instruments, loans and advances, and adjustment made on current tax rate in line with increase of income tax rate from 24% to 30%. Accordingly, the Bank's Financial Statements reflected a tax reversal of LKR 995.8 million resulting in profit after tax of LKR 32.0 billion.

Profitability

During the year, Bank of Ceylon's main focus was to strengthen the balance sheet and support customers as they grappled with unprecedented challenges due to the country's economic turmoil. The Bank compromised its net interest income growth to 14% and reported a PBT of LKR 31.0 billion as the industry highest.

Profitability



Profit attributable to shareholder (LKR billion)
ROA (%)

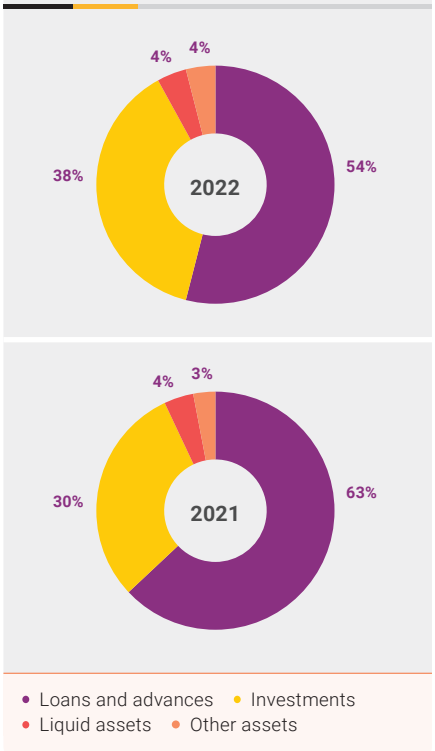
Other Comprehensive Income (OCI)

Bank of Ceylon's other comprehensive income (OCI) grew by 233% to LKR 27.8 billion, while total comprehensive income reached LKR 59.8 billion, reflecting a 30% increase YoY. Depreciation of the Rupee against the US Dollar resulted in recognition of a considerable hedge reserve relating to USD/LKR funding swaps amounting to USD 90 million which has been recorded under hedge accounting treatment.

Financial Position

Assets

Asset Composition



Bank of Ceylon's total assets grew by 14% during the year, to reach LKR 4.3 trillion, and is on track to achieve our rationalised growth targets. The Bank's asset composition remained relatively unchanged reflecting long-term sustainability of the Bank's core business despite challenging conditions.

While debt and other instruments grew by a significant 44% to LKR 1.6 trillion in 2022, net loans and advances saw a decline of 4%, primarily driven by the high interest regime and challenging economic conditions that resulted in a moderate credit appetite.

Asset Quality

Asset quality was a primary point of focus during the year, as deterioration of asset quality was noticeable across the industry due to slow down in the economy. The Bank's Stage 3 loans and advances amount also increased by 29% to LKR 324.9 billion. The Bank exercised stringent measures to monitor and moderate the risks and took a proactive approach by making a significant impairment provision during the year. The Bank's impairment provision almost doubled in 2022 due to significant increase in credit risk. Exposure to customers in elevated risk industries remains a concern, as does exposure to Government in the form of investment and lending to state-owned enterprises. Multiple years of economic stress and the Government's defaulting or delaying in honouring of commitments contribute significantly for impairment provisioning in 2022.

Liquidity and Investments

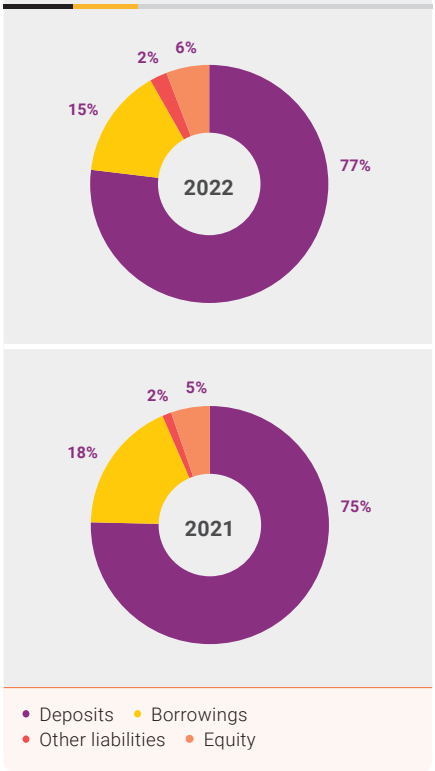
Liquidity was a key point of concern across the financial sector in 2022. However, the Bank was able to maintain its local and foreign currency liquidity positions above regulatory minimums. Close management of the Bank's position was coupled with detailed cash and liquidity forecasting, which enabled us to respond suitably to regulator and industry demands in a challenging environment.

Foreign currency liquidity position of the Bank was allocated suitably in order to cater to national requirements and meet customer demands. We also focused on incentivising and driving remittance through a variety of measures during the year. Resulting remittance inflows and continued market leadership in this area supported the Bank's foreign currency liquidity.

Investment in Government Securities grew by 45% to LKR 1,566.0 billion during the year.

Liabilities and Capital

Liability Composition



Total liabilities grew by 13% to LKR 4.1 trillion during the year, buoyed by strong performance of the deposit book which saw significant growth of 16%. The Bank's deposit base reached to LKR 3.3 trillion by the end of the year, displaying continued customer confidence and BoC's market leadership position. This also reflects a shift of customer interest to time deposits and increase in local currency deposits coinciding with increased rates, high

inflation, and volatility in the equity market. Increased appetite for time deposits led to growth in the LKR time deposit base to LKR 1.6 trillion in 2022 from LKR 1.4 trillion in the previous year. Coinciding decrease in savings base due to higher cost of living caused the Current and Savings Account (CASA) ratio to decrease from 36% to 29% during the year. However, the Bank managed its liquidity position strategically despite liquidity stress prevalent in the market.

In line with distressed economic conditions and the Government's fiscal position that was not conducive to infusion of capital, the Bank sought to strengthen its capital base through internally generated funds and management of dividend payments. Growth prospects were constrained due to stresses on capital requirements aligned with deterioration of asset quality across the sector.

The Bank's Tier II capital was enhanced by issuing LKR 6,490 million of BASEL III compliant subordinated Tier II debentures in 2022.

CBSL provided direction during the middle of the year, permitting draw down on capital conservation buffers and minimum capital requirements. However, we were able to navigate the year while maintaining capital adequacy ratios without utilisation of buffers.

Group Performance

Contribution of subsidiaries to the Group's performance remains below 1%. The Bank manages its subsidiaries through a well-defined subsidiary charter, which sets out management processes and standards for subsidiaries, including systems for addressing the areas of Risk, Governance, Finance, Internal Controls, and Legal matters.

During the year, Property Development PLC, which was a subsidiary of Bank of Ceylon, has been delisted from the official list of the CSE with effect from 27 October 2022. A total of 1,573,272 shares have been repurchased by the Company for a total consideration of LKR 287.9 million under the delisting process. As at 31 December 2022, the issued and fully paid number of ordinary shares stood at 64,426,728. With the delisting process, the shareholding of BoC was adjusted to 97.89% from 95.55%.

Further, Merchant Bank of Sri Lanka and Finance PLC issued LKR 67.7 million unsecured, subordinated, redeemable, listed debentures during the year.

Way Forward

Sri Lanka's economic recession presents a number of challenges for the Bank as we look forward to 2023 and beyond, with the full impact of the ongoing economic crisis yet to be seen. Amidst these uncertainties, and possible contraction of the economy in the forthcoming year, the Bank will focus on medium-term moderate growth in 2023 that would ensure it is well positioned to accelerate alongside the Country's revival trajectory.

As a state bank and responsible corporate citizen, we have aligned the Bank's strategies and plans with national priorities. We are gearing the Bank's business model to best serve our stakeholders in 2023 and beyond. Priority allocation of liquidity and capital will cater to the country's essential requirements by optimising stakeholder expectations. The Bank has plans in place to continue scaling up efforts to engage with customers, support their business revival, and provide for their long-term sustainability.

We plan to scale up green lending and rollout of ESMS practices driven by the Bank's ESMS policy and adhering to CBSL roadmap for Sustainable Finance.

MSME sector will be a highly focused sector on growth prospects of the Bank by serving both traditional and millennial customers.

The Bank's financial reporting and internal processes are undergoing continued digitalisation and we expect them to play a key role in supporting informed and timely decision-making in the years ahead. In addition, we remain committed to upholding international best practices in financial and sustainability reporting in line with the Bank's ethos of transparency, accountability, and corporate responsibility.

The Bank will focus on resilience in 2023 and beyond, remaining watchful with balance sheet growth and prioritising stability of the Bank and strength of the balance sheet over short-term profit.

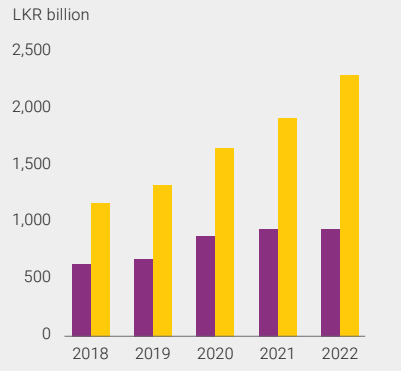
RETAIL BANKING

Bank of Ceylon's Retail Banking segment constitutes a range of lending, deposits, and transactional banking solutions targeting individuals, entrepreneurs, and MSMEs.

Performance Highlights 2022

- Introduced nine attractive deposit products
- Enriched green loan portfolio by **7%** YoY
- MSME credit growth of **88%** YoY
- Best Bank for retail payment at LankaPay Technovation Awards 2022

Retail Sector Portfolio



The Retail Banking segment of BoC represents a significant share of the market, and 36% of the Bank's total credit. With over 2,000 customer touch points, it also represents one of the primary channels through which the Bank interfaces with and serves its customers. For detailed information on how the Bank delivers value to its diverse customer base, refer pages 78 to 88.

Operating Context

In the wake of the COVID-19 pandemic and the Country's economic crisis that followed, the retail segment was severely impacted by a challenging operating environment and stringent regulatory controls. As the systemically important leading state bank, BoC's focus in 2022 was on supporting the survival of the Country's economy, businesses, and communities.

In light of the challenging operating environment and risks to the stability of the financial sector, the Bank's Retail segment worked to rationalise the targets, and focus towards supporting businesses and individual customers.

Influence of the Operating Environment

- Stressed liquidity and capital adequacy positions
- Sharp increase in inflation reflecting Sri Lankan Rupee depreciation
- Impact of Interest rate hike on cost of funds
- Deterioration of asset quality across the sector
- Challenges to business continuity due to socio-political upheaval

Business Line Reviews

Performance Against Strategy

Customer-centricity

- Business continuity prioritised and ensured, despite fuel shortages and socio-political unrest.
- Additional credit/funding extended to meet working capital requirements of beleaguered sectors.
- Introduced 'BoC Gammana' to improve livelihoods of rural communities.
- Financially impacted borrowers experiencing business downturn referred to the Business Revival and Rehabilitation Unit (BRRU) for assistance in reviving their businesses.

Digital Excellence

- Digital products launched catering to retail customers.
- Usage of digi-pads expanded.
- BoC Connect expanded.
- Multiple customer-onboarding processes automated.
- Multiple internal bank processes automated.
- SME online loan application enabled.

Rewarding Credit Culture and Healthy Credit Portfolio

- Introduced new development loan schemes to strengthen the tourism sector.
- Special refinance loan schemes implemented with funding from ADB to support and to meet investment and working capital requirements of youth engaged in agriculture, tea smallholders, and MSMEs.
- Provided more facilities to women-led businesses to empower Sri Lankan women through financial inclusion.
- Focused on recovery through revival of businesses.
- Launched rescheduled packages for non-performing credit facilities.
- Reduced variable interest rate of Personal and Pensioners Loan schemes to a fixed rate in response to crisis-induced financial adversity faced by borrowers.
- Restructured facilities of affected borrowers, based on their requests, in line with projected cash flows of their businesses.

Building a High-performing Team

- Staff roles reviewed and retooled to meet evolving challenges.
- Staff from revival units and branches engaged closely with customers in difficult conditions.
- Remote-working opportunities explored and piloted.
- Employee remuneration and benefits reviewed against current market rates and needs.
- Employees engaged in customer service, given necessary training.

Stability, Governance, and Sustainable Growth

- Targets rationalised to ensure business sustainability and sectoral stability
- SLFRS 9 prudential monitoring mechanism introduced.
- Strengthen internal controls to comply with audit and compliance requirements
- Green banking concept is promoted through new deposits and lending.

Deposits

The Retail segment's deposit base showed impressive performance in 2022 despite the severely challenging circumstances. Time deposits grew by 29% and total deposits grew by 20%. Success of deposits reflects the depth of trust placed in the Bank, strength of the Bank's investment promise, and continuous proactive engagement by the Bank to pioneer a number of new products in response to a changing environment, and rapid fluctuations in interest and exchange rates.

CASA ratio of 34% reflected the challenging business environment faced by SMEs, entrepreneurs, and personal customers during the year.

New Deposit Products Introduced during the Year

100 Day Deposits

200 Day Deposits

400 Day Deposits

Double Your Investment

BoC Relax

BoC *Haritha Kekulu* Children Savings Scheme

BoC *Diyawara Kekulu*

BoC *e-thuru* Green Savings A/C

BoC My Health Savings

Products Relaunched during the Year

Smart Investor

Smart Lady

Kantha Ran Ginum

Loans and Advances

The Bank's retail lending portfolio was severely hampered by depressed economic conditions, regulatory measures, controls for liquidity and capital adequacy, and more stringent provision requirements. However, despite challenges, the Bank found proactive and responsive methods to overcome challenges.

During the year, the Bank piloted dedicated leasing facilities for Green Finance aimed at specific segments to purchase electric vehicles.

The Bank's Green Loans drew notable interest in 2022 with the economic crisis affecting energy prices and fuel availability. Loan schemes linked to environmental-friendly, and renewable energy technologies such as electric bikes, bio-gas, and solar were continued during the year, with the Green Loan portfolio reaching to LKR 1,964.9 million by the end of the year.

Throughout the year, the Bank continued to support SMEs and entrepreneurs, providing much needed credit to crisis-stricken customers. New initiatives to support SMEs, such as the Bank of Ceylon SME Circle, and existing loan schemes such as *Divi Udana* and BoC *Mithuru* resulted in credit facilities amounting to LKR 1,478 million (growth of 88%) extended to SMEs and MSMEs in 2022.

New Lending Products Introduced during the Year

Special loan scheme for solar power systems, electric bicycles/motor bikes, and installation of bio-gas units.

New working capital and refurbishment loan scheme for the Tourism sector.

Transactional Banking

Continuing an increasing trend towards greater digitalisation and digital adoption alongside improved customer convenience, the debit card and credit card transaction volumes recorded a growth of 25%, with value of transactions growing by 27% in 2022. The Bank's Internet Payment Gateway (IPG) also identified greater adoption, closing the year with 126 vendors. This resulted in a 38% increase in volume of transactions and an almost 100% increase in the value of transactions facilitated through the Bank's IPG. Further, market penetration of the Bank's Point of Sale (PoS) machines continued to show steady growth during the year, amounting to 8,967 PoS machines by the end of 2022.

Growing success of Transactional Banking is part of the Bank's continuous journey towards greater digitalisation, and a direct result of concerted engagement with a number of partners. For more information on the Bank's engagement with Business Partners, refer page 114.

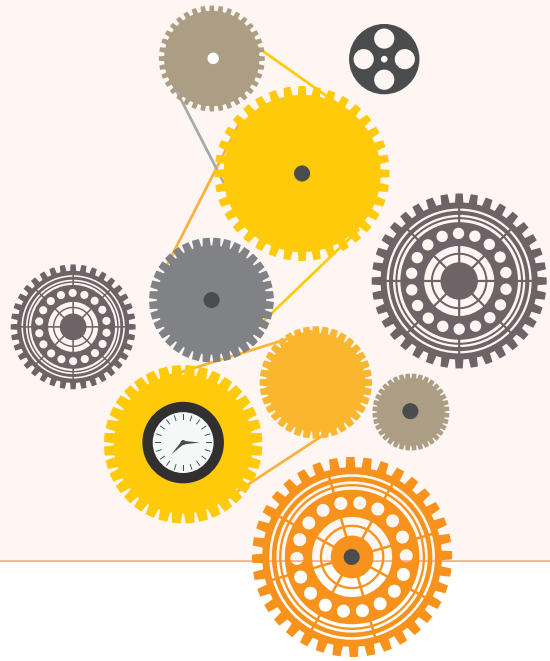
Launched Affinity Card for State Sector employees.

New Process Improvements during the Year

Automation of merchant settlement, statement dispatching, and merchant commission calculation at the Bank's overseas branch in Malé.

Automation of merchant payments above LKR 5 million transactions through SLIPS.

Enrolment to 3DS 2.0 authentication protocol of international payment scheme.



Automation of sending customer notifications for card related charges and payment reminders.

Automation of the Standing Order Process.

Initiating Go AML reporting developments.

Debt Moratoria and Concessionary Support

Bank of Ceylon has always stood with its customers, displaying deep commitment to Country and community. This was never more evident than in 2022, when the Bank took a strategic decision to focus on supporting customers and businesses to survive and revive in the face of challenging economic conditions. The Bank prioritised the recovery and revival during the year; by extending moratoria, providing repayment holidays, restructuring facilities, and ensuring access to working capital to enable business revival.

By the end of December 2022, 2% of the Retail Banking portfolio was under moratorium. This is compared to 5% as at December 2021.

An unexpected increase in interest rates negatively affected personal loan customers who obtained credit on variable rates. Despite facing monumental increases to funding costs, the Bank provided preferential interest rates to mitigate the pressure on such customers. At the same time, the Bank honoured credit granted at fixed rates, despite the increase to funding costs. For more information on the Bank's concessionary support to customers and the success of its business revival efforts, refer page 82.

Portfolio Quality

Despite efforts to establish proactive controls and measures against deterioration of asset quality, impact on portfolio quality across the sector was significant.

As in the previous year, the Bank's focus in 2022 revolved around business revival and long-term sustainability of customers. Refer page 82 for more information on the Bank's initiatives and controls against deterioration of asset quality.

Risks

- The Bank's retail customers, especially SMEs, are severely impacted by the ongoing crisis and struggling to sustain livelihoods and businesses. Increased operating costs are adding stress to already thin margins and threatening business continuity.
- Individual retail customers are heavily burdened by the crisis, sandwiched by reduced incomes and increased cost of living, while possessing little to no repayment capacity to access new credit.
- Considering the stressed economic environment and the sensitivity of the financial sector, credit-growth and expansion are expected to be stymied in the coming months.
- Double-digit inflation, persistently high interest rates, and exchange rate fluctuations pose challenges to the sector with regard to cost of funds and borrowing.
- As the protracted crisis and contracting economy result in continued challenges for vulnerable sectors and portions of society, customers may expect further concessions.

Opportunities

- Lending opportunities could arise in support of industries and enterprises based on revised cash flows and robust business plans.
- Opportunities for inorganic expansion through consolidation could emerge for businesses that are able to weather the crisis and resolve operations on a long-term trajectory.
- Expand opportunities through financial inclusion in new market segments.
- Business expansion through green product initiatives.

Way Forward

As Sri Lanka's leading bank, BoC remains committed to supporting the revival and resilience of customers, country, and community.

The Bank will continue its efforts to increase mobility of green products via retail deposits and credit facilities among retail customers.

The Bank will further strengthen activities on financial inclusion specially for informal segments.

BoC connect platform will be used as the key to provide and expand better cost effective services to retail segments.

The Bank's Retail segment intends to leverage opportunities unlocked through digitalisation and greater digital adoption, while on a long-term journey of improving customer service.

BoC's strong relationship with retail customers, coupled with a proactive and innovative approach to products and positioning, ensures its capacity to support Sri Lanka's economic recovery in the future.

Business Line Reviews

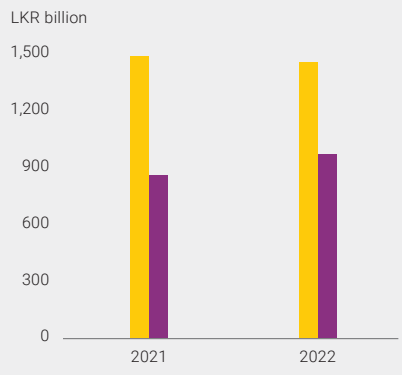
CORPORATE AND OFFSHORE BANKING

The Bank's Corporate and Offshore Banking segment provides a variety of financial services to the private sector, and state sector; including project lending, trade financing, and offshore banking facilities. As one of the largest lenders in the sector, BoC plays a catalytic role in market activity by supporting key enterprises in Sri Lanka's economy.

Performance Highlights 2022

- Successful navigation of AIIB and ADB concessionary funding lines
- Introduced BoC export circle
- Two successful syndicated and club deal arrangements for projects in Maldives

Corporate and Offshore Portfolio



Bank of Ceylon is the largest lender in Sri Lanka, with an asset base of over LKR 4 trillion at the end of 2022. BoC's Corporate Banking segment supports the largest industries, institutions, and projects; impacting entire supply chains, and contributing to employment of millions of Sri Lankans. The Offshore Banking segment is a vital engine of foreign exchange for both Bank of Ceylon and the Country. In 2022, the segment contributed more than 50% of FOREX inflows to the Bank, and approximately 10% of Sri Lankan total export earnings during the year. The corporate and offshore segment contributes 55% of the Bank's total Loans and Advances, 56% of Interest Income, and 30% of total Deposit Base.

Despite a challenging year and severe limitations to operations, this segment was able to cater to the urgent needs of Sri Lanka's businesses and industries, supporting smooth functioning of the entire economy and sustainability of businesses.

Operating Context

Following two years of sustained pressures from the COVID-19 pandemic, Sri Lanka faced multiple disruptions and crises in 2022, including burgeoning inflation and an unexpected increase in exchange rates and interest rates. For corporations, these unprecedented challenges resulted in loss of competitiveness, increased cost of capital, working capital and cash flow issues, and in the worst cases: business failure and closure.

Continuance of import restrictions during the year had a negative effect on opportunities for trade finance, while cessation, suspension, or slowdown of projects curtailed Project Financing. At the same time, foreign currency liquidity issues coupled with the interest rate hike limited opportunities for Offshore Banking.

Despite these pressures, the Bank's Corporate and Offshore Banking segment was able to leverage opportunities to support customers, communities, and the Country. Facilities were made available to ensure import of essentials. Bilateral and concessionary funding lines were explored and successfully implemented. Crisis-hit businesses were provided with short-term funding to meet working capital requirements and help sustain operations, while further support was extended to multiple touch points across the supply-chain of affected industries. New and emerging industries with local capacity and expertise were supported to take advantage of business opportunities. Throughout, the Bank instituted stringent monitoring, pioneered new features for customer convenience, and worked closely with customers to prioritise business revival while ensuring recoveries to retain customers in the performing category.

Influence of the Operating Environment

- Deterioration of asset quality and increased NPA
- Increased cost of funds
- Competition in offshore banking segment due to more attractive markets
- Import restrictions led to growth of new and emerging industries
- Increased export volumes due to the floating of the SLR

Performance against Strategy

Customer-centricity

- Repayment holidays provided and concessions granted.
- Restructuring of existing facilities.
- Additional credit/funding extended to meet working capital requirements of affected sectors.
- Facilities and guidance provided for export businesses.
- Provision of critical Forex for import of essentials to meet public needs.

Digital Excellence

- Smart online portal for corporate customers debuted in 2022.
- Multiple customer-facing bank processes automated.
- Multiple internal bank processes automated.
- Trade Finance system upgraded.
- Implementation of Loan Originating system underway.

Rewarding Credit Culture and Healthy Credit Portfolio

- Proactive controls and measures were taken against deterioration of asset quality.
- Stringent order and cashflow monitoring supported recoveries and maintained credit in the performance category.
- Focus on reviving businesses, which contributed to improvement in asset quality.

Building a High-performing Team

- Virtual meetings regularised, targets discussed, and staff displayed commitment beyond standard hours.
- Staff showed exemplary responsiveness toward urgency of client needs.
- Productivity enhancement initiatives carried out.
- Remote-working opportunities explored and piloted.
- Employee remuneration and benefits reviewed against current market rates and needs.

Stability, Governance, and Sustainable Growth

- SLFRS 9 prudential monitoring mechanism introduced.
- Nostro facility launched at the Bank's Chennai operation.
- Rather than recovery, focus on supporting businesses to revive.

Private Sector Lending

Lending to the private sector constituted 30% of the segment's total loan portfolio in 2022, reflecting 15% growth, indicative of new customers onboarded, ventures explored, emerging industries supported, and working capital financing extended to crisis-hit businesses.

Downgrade of sovereign rating and limited Forex liquidity resulted in local businesses facing issues of Letters of Credit (LCs) and Letters of Guarantees (LGs) not being accepted, curtailed credit limits from international banks, and requirements to maintain 100% margins. In this situation, the Bank was able to support businesses with short-term funding support to meet working capital requirements.

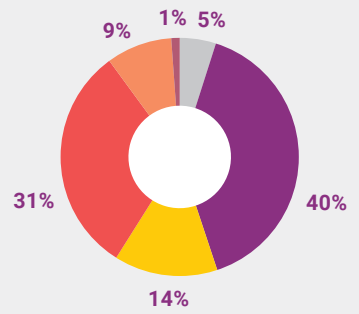
Business Line Reviews

Despite non-recourse funding with international banks being largely unavailable to explore, support was extended to the private sector's hardest hit segments, including apparels, construction, tourism, fertiliser and more. Key private sector lending made available by the Bank for new projects in the manufacturing sector, including production of medical products.

A major success in 2022 was negotiation of concessionary funding lines made available to local businesses through the Asian Infrastructure Investment Bank (AIIB) and the Asian Development Bank (ADB). BoC's Environmental and Social Management System (ESMS) policy was in alignment with requirements of multilateral lenders, and enabled screening of credit for Environmental and Social (E&S) factors. For more information on the Bank's efforts to mainstream ESG factors, refer page 103.

Concessionary credit line of USD 90 million was secured from AIIB for on-lending to sub-borrowers to support COVID affected businesses islandwide in the Corporate and SME segments. The credit line prioritised financial support to SMEs and woman-led enterprises.

AIIB Funded Sectors



- Agriculture and Fishing
- Manufacturing
- Construction
- Wholesale and retail trade
- Services
- Other

BoC supported enterprises to be resilient amidst negative fallouts of the pandemic by granting 775 loans amounting to LKR 22.4 billion and maintaining minimum NPL.

Bank of Ceylon's concrete solutions and strong business relationships with entrepreneurs have enabled enterprises to remain profitable and conduct their business in a sustainable manner.

Project Financing

Cessation of many infrastructure development and construction projects, diminution of foreign direct investments and wait-and-see approach of local investment arms have contributed to limit the scope of project financing during the year 2022.

The Bank was partnered in financial support to develop export-oriented manufacturing industries, mixed development projects partially financed through foreign direct investment, manufacturing health care products that could be used as import substitutes, and the renewable energy sector.

BoC also provided advisory services to implement feasible projects in emerging markets including export of agricultural products, manufacturing electric bikes and related products, and waste management systems that would earn and save foreign exchange to the betterment of the Nation.

The Bank's ESMS policy played a crucial role in project finance, with E&S screening for every project, followed by review of high-risk projects by a high-level Sustainability Committee. Bank of Ceylon adheres to guidelines of the National Environmental Act in line with its commitment to sustainable development of the Country.

Highlights of project financing in 2022 included the following:

Successful financing in the shipbuilding sector, supporting delivery of major undersea cable-laying ships.

Support for major water-sector projects in the Country.

Real-estate sector support including syndicate arrangements as lead-banker role for major real estate and mixed development projects.

Financial support for large scale manufacturing businesses in automobile-related industry and other export oriented value-added businesses.

Support for construction of a section of the Central Expressway, completed by local contractors.

Trade Financing

As part of its national commitment, the Bank continued to extend support to priority sectors of the state involved in import of essential goods, including fuel, liquid petroleum gas, food items, pharmaceuticals, vaccines, medicines, and more. From swap arrangements to enabling multilateral and bilateral lines of credit, Bank of Ceylon prioritised supporting national needs, often bearing heavy import bills in the process. The Bank's strict internal controls and stringent oversight ensured the success of trade financing endeavours, while the segment used the opportunity to canvass business and onboard customers who would be beneficial to the long-term sustainability of the Bank.

During 2022, BoC prioritised support to export-oriented startups and SMEs, and provided preshipment and postshipment access to finance for smaller exporters. The Bank's Export Circle extended support coupled with guidance on export and related advisory services linking with necessary trade associations and key government institutions such as the Export Development Board (EDB), Industrial Development Board (IDB), and Sri Lanka Export Credit Insurance Corporation (SLECIC). In this regard, the Bank disbursed a total of LKR 1.2 billion to key export customers in the SME Sector.

Offshore Banking

Amidst the challenging environment with foreign currency liquidity issues in 2022, the Bank's Offshore Banking Division continued to extend financial assistance and faciliting outward remittances in terms of foreign currency to exporters in order to sustain their export-oriented industries, which in turn boosted export earnings in the economy.

Key highlight of the year was successfully completing the funding of two large projects in the Republic of Maldives. One project was financed under a syndicated loan arrangement, in which Bank of Ceylon's Offshore Banking Division was the lead arranger, while the other was financed through a club deal arrangement.

Portfolio Quality

Moratoria granted to crisis-affected sectors as of end 2022 amounted to LKR 50.6 billion (Tourist sector: 40%, Manufacturing sector: 20%, Construction sector: 13%, Trading and other: 27%). The Bank continued to engage closely with customers, and provided support for working capital, in order to ensure business survival and manage the Bank's Non-Performing Assets (NPA) within the given range despite challenging conditions.

Risks

- **Some of the Bank's corporate customers being severely impacted by economic crisis and business failure/closure is a serious threat.**
- **Continually high rates of inflation, coupled with persistently high interest rates and exchange rates could result in major challenges to the entire sector.**
- **Sluggish economic recovery and revival could negatively affect portfolio quality across multiple sectors.**

Opportunities

- **Renewed focus on exports has the potential to expand Sri Lanka's export sector including new and emerging industries and value-added products.**
- **Revival of the economy may enable the Bank to position aggressively for growth in private sector lending.**
- **Key sectors such as the tourism sector have the promise to deliver significant growth potential within a short period, and can prove to be a boon if well positioned.**

Way Forward

Having successfully navigated the economic headwinds faced in 2022, the Bank is well set to maximise on opportunities that present themselves during Sri Lanka's path to economic recovery. As a major lender in the private sector, the Bank retains a strong and competitive position to align with the revival of Sri Lanka's economy and businesses.

Key focus will be on cashflow based project and syndicated lending to expand the corporate and offshore banking segment. Further, collaborating with GoSL, SOE restructuring initiatives for the revival of the economy will be pivotal in coming months.

BoC's continued progress toward efficiency and process improvements, coupled with gains from digitalisation and customer service improvements will ensure the Bank's sustainability in the future.

Business Line Reviews

INTERNATIONAL, TREASURY, INVESTMENT AND OVERSEAS OPERATIONS

The Bank's cluster of operations consists of International Operations, which facilitate foreign currency related transactions; Treasury Operations, which manage liquidity and undertake fund management; Investment, which handles the Bank's investment activities; and Overseas Operations, reflecting the Bank's overseas branches.

Performance Highlights 2022

USD 3,159.3 million of inward remittances routed amidst economic crisis

YoY **130%** notable growth in interest income on investment

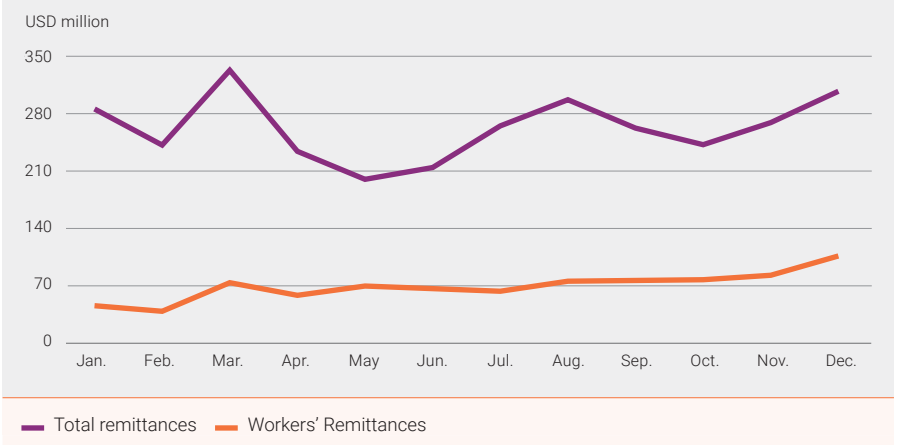
Introduced BoC Foreign Circle.

Opening of the first ever INR Nostro account by a Sri Lankan bank

From ensuring liquidity and a strong capital base and contributing to the Bank's profitability, to maintaining an international presence and building relationships with foreign banks and counterparties; the cluster represents a key component of Bank of Ceylon's sustainable business model and ability to create long-term value for stakeholders.

In 2022, the Bank retained its market leadership position in Inward Remittances, while navigating an immensely challenging operating environment. Success of cluster operations was driven by performance of the International and Treasury Divisions, attributed to the dedication of division teams and the Bank's continual improvement of procedures, processes, and governance protocol.

Inward Remittances 2022



Operating Context

During the first quarter of 2022, International Operations showed sluggish inward remittances reflective of the global macroeconomic scenario and continued pressure on Sri Lanka's fixed exchange rate. However, with managed floating of the Sri Lankan Rupee at the end of the year, inward remittances gathered momentum.

Announcement of the Country's sovereign default in 2022, resulted in downgrade of Sovereign rating and rating of institutions across the sector. This placed severe pressure on the Bank's foreign and local currency obligations. However, the Bank complied with all regulatory requirements and ratios and delivered on outstanding dues while supporting the national interest.

The Government's fiscal crisis coupled with the Country's economic downturn necessitated that, the Bank strengthens its capital base. In addition, extended moratoria and deterioration of asset quality across the sector placed greater importance on the Bank's management of cash flows while maintaining statutory liquidity requirements.

Unexpected escalation of policy interest rates resulted in shocks to the investment climate alongside escalation of the Bank's funding costs. This was compounded by rapid acceleration of inflationary pressures in the Country.

Influence of the Operating Environment

- Low tendency for investment resulting from globally dovish market conditions
- Pressures on liquidity due to extended moratoria and credit-quality stressors
- Sovereign default, and resulting rating downgrades
- Volatility of exchange rate and impact on foreign currency borrowings
- Challenges to inward remittances from exchange rate fluctuation and informal channels

Performance against Strategy

Customer-centricity

- Increase in partnerships with counterparts to provide for inward remittance requirements of Sri Lankans working overseas.
- New pre and post-departure loan schemes made available to customers.
- Establishment of Foreign Circle catering to expatriates and Sri Lankans working overseas.
- Training, awareness, and support programmes organised for customers.
- BoC multicurrency travel card relaunched, suiting the needs of students and other customers.
- Correspondent Banking Division expanded and new Nostro accounts launched to meet customer transaction requirements.
- Despite liquidity pressures, educational payments were honoured and Forex made available for critical import of essentials to meet public needs.
- Opening new pay office counters at Katunayake (BIA), Ratmalana, and Jaffna Airports for convenience of customers.
- Trading in Indian Rupee commenced in December 2022.

Digital Excellence

- Smart Remit system upgraded in 2022.
- Smart Online Banking system launched at Malé branch.
- Automated trade finance system introduced at Malé Branch.
- Efforts initiated to move Investment Banking to an automated system.
- Multiple customer-onboarding processes automated.
- Multiple internal bank processes automated.

Building a High-performing Team

- Safety of teams ensured while enabling business continuity.
- Training programmes organised for staff at local and overseas branches.
- Staff showed exemplary responsiveness toward urgency of client needs.
- Productivity enhancement initiatives carried out.
- Remote-working opportunities explored and piloted.

Stability, Governance, and Sustainable Growth

- Network appreciation carried out at overseas branches to strengthen internal controls and cyber-security systems.
- Strategic partnerships initiated for the Bank's future growth potential.
- New debentures issued.

Rewarding Credit Culture and Healthy Credit Portfolio

- Proactive controls and measures taken against deterioration of asset quality.
- Stringent order and cashflow monitoring supported recoveries and maintained credit in the performance category.

Business Line Reviews

International Division

Despite exchange rate volatility and proliferation of informal markets, BoC's strong relationships with foreign counterparties and exchange houses enabled the Bank to retain a large share of inward remittances during the year. The Bank's market leadership position with regard to inward remittances strengthened with USD 3,159.3 million routed through BoC during the year, and the Bank's market share of worker remittances during the year reached to 22%.

The Bank deployed 33 business promotion officers, initiated partnerships with 14 new counterparties, and expanded correspondent banking relationships during 2022; to cater to the national importance of inward remittances and trade finance. Several awareness programmes were carried out, such as *Ethera Methera* and *Ran Kahawanu*; which went hand-in-hand with local engagement at grassroot levels. Awarding initiatives were also carried out during the year, such as BoC *Pita Pita Rata Thegi*, thus creating incentives for utilisation of formal remittance channels, combating misinformation, and reassuring customers of the Bank's trustworthiness.

In line with the Bank's 83rd anniversary, the Foreign Circle was launched during the year, with a 24-hour unit, dedicated telephone lines, and well-trained staff, specially designed to cater to the needs of expatriates and Sri Lankans working overseas. A number of new customers were onboarded during the year, which served to strengthen the Bank's market leadership position.

Despite pandemic and crisis-induced challenges during the year, remote working was piloted, business continuity was ensured, and the Bank's customers were able to receive export proceeds without interruption.

Treasury

The Treasury Division was responsible for managing daily cash-flows and liquidity within the Bank. While serving as a window for raising funds and investments, the Division contributed significantly to the profitability of the Bank.

Responding to stressed conditions, the Division focused on prudent management of cash-flows and statutory liquidity norms as stipulated by the regulator. The Bank's foreign currency liquidity was closely managed to enable import of essential goods such as fuel, gas, pharmaceuticals, and food items. Meanwhile, the Division's cash and liquidity forecasting played a major role in the Bank's ability to respond to the challenging operating environment. Despite ratings downgrades, close relationships with counterparties presented the Bank with opportunities for credit and enabled the Bank to service all obligations and dues.

The Division's leveraging of trading opportunities and timely management of government securities resulted in a notable performance.

Investment Banking

The Division played a key role in enhancing the Bank's capital through structuring and issuing of BASEL III compliant subordinated Tier II debentures in 2022. Meanwhile, automation of Investment Banking activities is near completion.

Supported by a highly professional cadre, the Division also undertook fund management, portfolio management, and onboarding a number of new clients during the year. In line with the continuing trend of fund buildup, steps were taken and infrastructure put in place to initiate margin trading that would further strengthen the Bank's portfolio in the future.

Overseas Operations

2022 was a resilient year for the Bank's overseas operations, with the Malé branch and Seychelles branch recording their highest annual profit before tax. Bank of Ceylon's three overseas branches managed NPA within margins, through proactive monitoring and continuous customer engagement. Despite capital issues and global economic pressures, the overseas branches made profits, and contributed remarkably for the Bank's profit during the year.

The year also witnessed the opening of the first ever INR Nostro account by a Sri Lankan Bank, with the initial transaction being routed through the Chennai branch of BoC. A new Smart Online Banking system, an automated trade finance system and upgrades to the outward remittance system (Smart remit) were launched at the Malé branch. Further network upgrade was carried out at all three branches, as internal controls and cyber-security systems were strengthened as per the Bank's future strategies for expansion overseas, in line with regulatory requirements.

Moving forward during the year, BoC Seychelles added a fully-fledged Disaster Recovery Centre in compliance with requirements to facilitate uninterrupted critical branch operations.

Risks

- Continued volatility of the equity market would limit performance.
- Delayed economic recovery and revival could negatively affect rating of the Bank and result in further challenges.
- Global macroeconomic pressures coupled with continued local downturn could result in acute shortage of foreign currency and fiscal constraints.

Opportunities

- Expansion of BoC's international reach and presence by entry into new markets.
- Continued gains from digitalisation, process automation, efficiency improvements, and investment in human capital.
- Enrichment of business decision-making through cash and liquidity forecasting and predictive reporting.
- Leveraging the Bank's strengths to provide capital market advisory services, expand trustee/custodian activities, and portfolio management services.

Way Forward

The cluster represents a key component of the Bank's liaison with international counterparties and foreign banks, with strong relationships playing a critical role going forward. To further strengthen a trajectory of sustainable growth, the Bank has ambitions to expand overseas, contingent on careful consideration, evaluation of feasibility, and regulatory approval.

Further, the Division's role in the Bank's access to non-debt foreign exchange inflow, continues to be a key area of focus for growth. In addition, the Bank is looking to leverage the strength of its professional cadre and trusted services to expand investment banking activities.

Throughout, the Bank continues to invest in upgrading and strengthening digitalisation across all overseas branches and functions related to International, Treasury and Investment operations.

6 Stakeholder Outcomes

Customers

A diverse customer base is at the centre of BoC's business model and ability to create long-term value. In a challenging year, Bank of Ceylon displayed valuable commitment to its customers, providing wide-ranging concessions and working diligently to revive and rehabilitate businesses; bolstering value chains and jobs across the Country.

Highlights

2,166
Direct customer touch points

Most Loved Brands– by LMD and Brand Finance –
Ranked 2nd in the Banking category

Best People's Banking Service initiative
Asian Digital Finance Forum and Awards

Novel concepts
BoC SME Circle, BoC Export Circle, BoC Foreign Circle

Continuing from a challenging business environment in 2021, the new year brought about a plethora of new challenges for the Bank's customers. Change toward a high interest rate regime and repayment capacity were primary concerns, with the Bank receiving a number of queries regarding these matters during the year.

The Bank prioritised stability of the Bank's Financial Position and ensured adequate local currency and foreign currency liquidity to meet the urgent ongoing needs of corporate customers, while also providing for national needs in terms of import of essentials. Details of these and other efforts by the Bank are described in the business line reviews on pages 65 to 77 and the Community and Environment section on pages 103 to 113.

Operating context

- Customers were severely impacted by the economic crisis, rising inflationary pressures, exchange rate fluctuations, and the high interest-rate regime.
- Customers affected by fuel crisis resulting in limited access to banking services and disruptions to business.

The Bank's response

- Provided concerted concessions and relief to corporate and retail customers, above and beyond regulatory requirements.
- Launched new products and concessionary loans to support customers and meet their changing requirements.
- Prioritised business continuity and utilised digital channels coupled with extensive mobile and extension network to facilitate access to services.

Listening to Our Customers

Engagement platforms

- Periodic satisfaction surveys
- Direct engagement through branches and digital channels (ongoing)
- Website and social media platforms (ongoing)
- Customer hotline (ongoing)
- Financial literacy programmes (ongoing)
- Marketing, advertising and promotions (ongoing)

What they require

- Speedy and convenient service
- Convenient, reliable and secured platforms
- Debt relief
- Transparent pricing
- Access to finance

How we responded

- Customer-centric solutions
- Focus on customer experience
- Enhancing digital offerings
- Reduce transaction turnaround time through automation

Customer Profile

652,961
new customers

67%
customer penetration

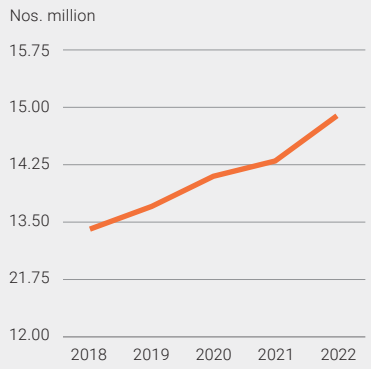
14.9 million
customers

50%
female customers

Bank of Ceylon caters to a wide spectrum of over 14 million diverse customers from across Sri Lanka and overseas. This impressive customer base, which translates to an unmatched penetration rate of 67%, comprises individuals, infant to senior citizens, micro-enterprises, small and medium-sized enterprises, large companies, multinational corporations, and state-owned enterprises.

The Bank leverages long-standing relationships with global partners and a comprehensive product-mix to meet the dynamic needs of a rapidly changing economy and delivers outstanding value to its customers.

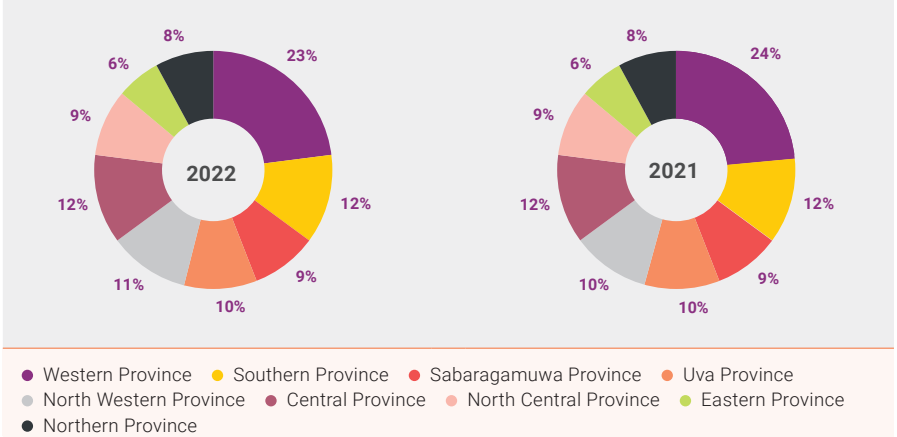
Customers



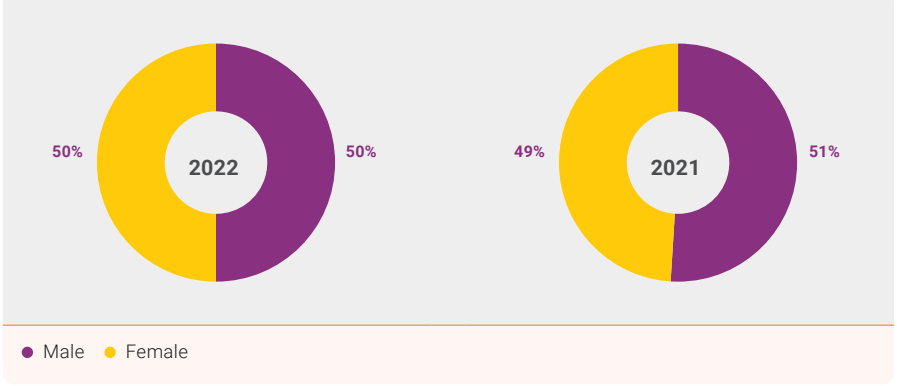
Customers

Access to Financial Services

Customers by Geographic Location



Customers by Gender



Access to Financial Services

BoC serves all segments of society and reaches customers from all walks of life through the Country's widest branch network and physical presence, a rich and diverse product-mix, and a rapidly expanding digital footprint. Fuelling economic activity through access to financial services, nurturing a savings culture, and reaching the underserved and underrepresented are essential components of the Bank's mandate.

Financial Inclusion

Improving access to finance and financial inclusion for the most remote, vulnerable, and historically underserved or unbanked segment of society is a key priority. The Bank's wide geographic footprint; consisting of an extensive branch network coupled with mobile and limited service branches, ensure financial services are easily accessible and within reach for millions of Sri Lankans.

BoC's mobile and extension services such as mobile banking through 10 'Branch on Wheels', are critical at ensuring uninterrupted access to banking services for remote locations during the periods of disruption.

Bank of Ceylon's other efforts to achieve greater financial inclusion, such as targeted development lending to entrepreneurial ventures, MSMEs, and cottage and community industries are detailed in the Community and Environment section on page 103.

BoC Connect

A unique innovation in this regard, is the Bank's grassroots agent-banking network - BoC Connect, which was launched in 2021. This agent-banking service enables customers in remote locations or customers with limited accessibility, to perform a range of financial transactions via assisting agents. Services include cash deposits, cash withdrawals, credit card and bill settlements, and fund transfers. During the year, the Bank recorded a total transaction value amounting to LKR 570.0 million executed through BoC Connect. Further, based on regulatory approval obtained during the year, the Bank plans to onboard 16 new agents in 2023. Thus bringing the total BoC Connect network to 50. With agent screening processes ongoing, the Bank plans to extend this facility to reach even more remote customers in rural areas in the future.

Ensuring Business Continuity

2022 brought several disruptions to economic activity and transport and accessibility across the Island. However, the Bank took all efforts to prioritise business continuity for the benefit of customers; ensuring that no branches were closed even during the fuel crisis. Uninterrupted access to services was also ensured by BoC's extensive network of touch points.

In addition, the Bank took steps to reach particularly isolated and remote areas with BoC's mobile banking units during the fuel crisis. These measures that were critical during the COVID-19 pandemic induced lockdowns, proved invaluable in 2022 as well; ensuring remote customers retained access to services even during the fuel crisis.

Further details of the Bank's efforts to ensure business continuity are detailed in the Retail and Corporate Banking business line reviews on page 65.

Expansive Multi-channel Footprint

With 2,166 customer touch points across the Island, BoC has the most expansive geographic reach and footprint in Sri Lanka. In line with global and local trends toward greater digitalisation, the Bank implements a multi-channel strategy that includes greater expansion of its electronic and digital footprint. In 2022, this shift toward electronic and digital transactions resulted in 48% of all customer transactions occurring through digital or electronic banking channels.

Continuous investment in physical and digital infrastructure increases accessibility for customers, while also contributing to customer convenience and overall customer experience. During 2022, the Bank made several enhancements to branches, opened a new branch in the Uva Province, expanded the network of Cash Recycling Machines (CRMs) to key institutions such as hospitals, educational institutions, airports, railways, and tourist attractions.

Traditional

Fixed

581
branches

65
limited service branches

Remote support/ service

Call centre

Mobile/extension services

34
BoC CONNECT agents

1,489
School Sansada

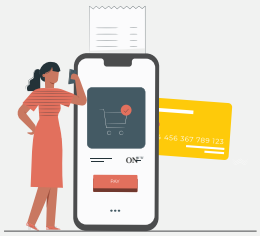
991
Mobile school units

15
SME centres

15
Regional loan centres

10
Mobile service branches (Branch on Wheels)

Electronic



Self-banking (e-banking)

726
ATMs

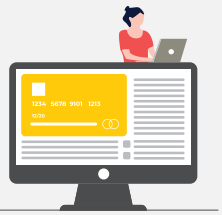
159
CDMs

572
CRMs

4
BoC Digi Bill payment kiosks

242
Offsite Smart Zones

Digital



Transactional

Online banking

Internet Payment Gateway (IPG)

PoS and MPoS – BoC Smart Pay enabled

B App

Smart Pay

Smart Passbook

Corporate Website

Social media

Stakeholder Outcomes

Customers

Channel Developments

19
branches relocated to enhance customer convenience

61
branches transformed

1
new branch opened in Andaulpotha, Badulla District

3
limited service branches opened

75
CRMs installed

Customer-centricity

LKR 74.4 billion
value of moratoriums granted

42,073
customers benefited by granting concessions

12
new products launched

LKR 7,397.2 million
value of facilities rescheduled

2,230
customers benefited by rescheduling

Customer-centricity is a key pillar in Bank of Ceylon's transformation strategy. The Bank has always maintained a customer-centric approach to doing business, and this was never more evident than in the Bank's response to customers affected by the ongoing crises in Sri Lanka.

Business Revival and Rehabilitation

GRI 201-1

40
businesses revived

22
businesses under revival support

Approximately
2,500
direct and indirect jobs protected

LKR 11.8 billion
customer cashflows managed by BRRUs

LKR 65.4 billion
customer exposure with revival support

Following disruptions caused by the COVID-19 pandemic, Sri Lanka's economic crisis in 2022 brought unprecedented challenges for the Bank's corporate customers. Businesses faced loss of competitiveness, increased cost of capital, major working capital and cash flow issues, and in the worst cases: business failure and closure. This resulted in continuous increase of Non-Performing Credit Facilities (NPCFs).

In response to the ongoing crises, the Bank focused on revival of businesses over recovery; a key component of the Bank's strategy toward implementing a rewarding credit culture and healthy credit portfolio.

During the year, the Bank provided critical and continued support to customers affected by the crises, including extended moratoriums, concessions, and rescheduling and restructuring facilities. Additionally, affected businesses were granted fresh facilities to meet working capital requirements and ensure their survival and long-term sustainability. A key component in the Bank's efforts was the Business Revival and Rehabilitation Unit (BRRU) established during the previous year.

Key Actions for Business Revival in 2022

Strengthening the function of the BRRU by expanding to all provinces.

Establishing a special committee and holding weekly review meetings chaired by the CFO, to assess and take quick decisions regarding support and relief to corporate customers.

Strengthening the Bank's oversight and monitoring and evaluation functions for loans and advances at all levels.

Engaging closely with customers; proactive and routine visits to provide business advice, consultancy, and solutions during the crisis.

Customising, rescheduling and restructuring of facilities to suit each customer's individual cash flows.

Holding regular workshops and revival clinics to build awareness and capacity of staff to respond to varying customer needs and provide quick and dynamic revival measures.

Reviewing the Bank's recovery policies and guidelines.

Business revival	2022	2021
Businesses revived	40	16
Businesses under revival support	22	6
Number of employment secured (approximately)	2,500	4,900

Supporting Retail Customers

LKR 67.9 billion

Interest rate rationalisation for "Personal and Pensioners Loan Schemes"

Interest rate fluctuations in 2022 and the ongoing high interest rate regime had a drastic effect on personal loan customers who obtained credit on variable interest rates (VIR). The Bank made an internal decision and accommodated regulator recommendations to support crisis-affected personal borrowers. Where appropriate, a concessionary interest rate was extended to VIR borrowers and credit granted at fixed rates was honoured in line with regulator requirements, with the Bank absorbing the additional funding cost. Further, information on support to retail customers is detailed in the business line reviews on page 65.

Innovation and Responsiveness to Customer Needs

The Bank continuously engages with customers, remains responsive to their concerns, accommodates regulator recommendations and carries out market research to provide a richly diverse product-range that caters to the full volume of the market. In response to the crisis and the changing needs of customers, the Bank launched a number of new products including time deposits that enabled customers to meet their investment needs in line with interest rate movements. An affinity card for state sector employees and a Health Savings Account, the first of its kind in Sri Lanka, were some of the new products and services extended to customers during the year. More information on products is available in the business line reviews on page 65.

Innovation to meet the needs of customers and country is at the heart of Bank of Ceylon's business model. The Bank has pioneered a number of initiatives to support key customer segments to diversify their offering, access new markets, expand their business and gain local and international exposure. Key amongst these are the BoC Export Circle launched the previous year, and the new SME Circle, launched in January 2022. More details of the Bank's development lending are available in the Community and Environment section on page 103.

Export Circle

LKR 1.2 billion

loans disbursed under export circle

191

exporters canvassed under export circle

The BoC Export Circle supports export-oriented businesses, particularly SMEs, with networking opportunities and capacity building, in addition to the financial support. The Bank works closely with key state and industry agencies such as Export Development Board (EDB), National Enterprise Development Authority (NEDA), to provide customers with crucial, timely, and continued support. These efforts also addressed the Country's urgent need for increased foreign exchange inflows through improved competitiveness of exports.

Stakeholder Outcomes

Customers

SME Circle

Focuses on export oriented, SME innovators, inventors and tech startups

Provide information and advisory services in addition to credit

Introduced in January 2022, the BoC SME Circle focuses on Small and Medium Enterprises (SME) export-oriented businesses, innovators, inventors, and business and tech startups; providing information and advisory services in addition to access to credit in the form of business startup and seed funding. During the year, the Bank launched a dedicated mobile application and web-portal to allow customers to apply for loans and raise requests.

Foreign Circle

5,446
customers served

21
awareness programmes conducted focusing customers

To commemorate the 83rd anniversary, Bank of Ceylon launched its International Customer Service Support Unit, 'BoC Foreign Circle'. The unit, launched by the Bank's International Division, aims to provide maximum convenience to BoC customers who work and live abroad.

Whilst new unit's representatives will engage with customers in Asia, Europe, the Middle East, and other countries to ensure they could quickly and conveniently access services in Sri Lanka. Customers are able to experience the services such as instant account opening, obtaining ATM and other cards, loans, and online banking services, along with numerous other convenience-driven products and services.

Customer Experience

Excellence in customer experience is one of the Bank's strategic pillars, which ensures the Bank's ability to maintain a distinct and differentiated presence in the sector, while ensuring retention of customers and attracting new business.

BoC's Customer Experience Unit serves as a dedicated team to handle customer complaints and addresses service-related issues, whilst identifying areas for capacity enhancement of front line staff. The Bank's dedicated research unit conducts surveys to assess customer satisfaction and identify pain points for improvement of customer experience. These elements have helped to create a service-oriented culture within the Bank.

During the year, the Bank carried out a number of initiatives to improve customer experience and service delivery across branches, business lines and customer touch points.

- Customer Experience Unit was strengthened and staff capacity improved.
- Branches and Smart Zones were improved to be consistent with BoC's brand and branch standards.
- Implementation of 5S at branches monitored and improved. Physical assessments carried out, followed by competitions and challenges to improve adoption and adherence.
- Branch-level performance and motivation measures carried out, including financial incentives and real-time leaderboards contributing to reduced errors and improved service delivery.
- Intra-bank awards and challenges conducted (Spirit Awards and Challenge Awards) to drive motivation and ensure service delivery standards.

Internally, the Bank has continued to invest in and implement Robotic Process Automation (RPA) for processes that improve customer convenience. These investments have improved turnaround times, and the customer experience.

A key step in improving customer experience was the introduction of new digital services that provide increased convenience and reliability for customers. These include automations for transactions that can be carried out seamlessly through a number of the Bank's digital platforms including online banking and mobile banking. Additionally, continuous improvements to the digital customer journey have resulted in large gains for customer service and customer experience.

Process Improvements as a Result of Workflow Automation via DMS

Process	Previous position	Current position
Debit card reactivations	Handled centrally Turnaround time – 3 Days	Reactivations are done at branch level and turnaround time – 10 minutes
Online application for credit cards	Feature not available	Customers can request credit cards through BoC's web portal
Covering approval for pawning	Manual process Turnaround time – 3 Days	Automated paperless process Turnaround time – 1 hour
Improvements to prior approvals in corporate segment	Timeout issues existed	Process improvement made
Improvements to near cash loans		
Improvements to generic approval process		Improved case search options and identified issues were rectified
Improvements to FD opening process	Special rate upper limit validated in code level Data quality index validations not available	Special rate upper limit parameterised Integrated to data quality Index validation engine Product level total FD amount validations added

Additionally, continuous improvements to the digital customer journey have resulted in large gains for customer service and customer experience.

The Bank's complaints handling procedure ensures transparency and accountability with all stakeholders. Feedback is encouraged at every touchpoint, with the perspective of providing quality service to stakeholders.

	2022	2021
Number of complaints B/F	**39**	36
Customer complaints received during the year*	**3,054**	2,159
Customer complaints addressed during the year	**3,069**	2,156
Number of complaints C/F	**24**	39
Net Promoter Score (NPS)	**35**	40
Customer satisfaction rate (%)	**78**	79

* Number of complaints in year 2022 increased by 41% compared to 2021, primarily due to:
– Significant increase in complaints regarding the increased loan interest rates
– Loan recovery issues
– Interest rates applicable to early redemption of fixed deposits/penalty rates

Digitalising the Customer Journey

Bank of Ceylon recognises the crucial role of digitalisation in meeting the modern demands of the banking sector whilst enhancing customer experience and ease of banking. As such, Digital Excellence is a cornerstone of the Bank's strategy for medium to long-term sustainability. The Bank continues to invest in digital infrastructure and solutions that cater to the diverse needs of its customers. As a result, there has been significant adoption of digital channels resulting in 48% of all customer transactions occurring through digital or electronic banking channels in 2022.

Highlights of the Bank's efforts for greater digitalisation of the customer journey in 2022:

- Introduction of Digital KYC to all branches, including paperless customer onboarding with e-signatures.
- Expanded merchant network equipped with BoC's SmartPay enabled PoS and MPOS machines.
- Initiated new partnerships with state institutions, fuel stations, and charities to enable cashless transactions through SmartPay.
- Retained status of number one e-commerce acquirer by onboarding new vendors for BoC's Internet Payment Gateway (IPG).
- Introduced apply online facilities for a variety of new banking transactions, including personal loan products, home loans, savings accounts, and credit cards.
- Oriented customers with the Bank's digital products through branch-level initiatives, including real-time digital dashboards and physical "Meeter-Greeters" engaging with customers and providing a walk-through of digital products.
- Introduction of new automated modules for debit card cancellation, covering approvals for TOD, covering approvals for pawning, DQI validation, etc.
- Facilitation of digital updating of life certificates for pensioners via BoC branches.
- Automation of large-value merchant payments via SLIPS.
- Automated customer notification and updating system.

Stakeholder Outcomes

Customers

Digital Adoption

Electronic banking
(ATM/CRM/CDM machines)

LKR 3,034.5 billion
(+26%)
transaction value

152.0 million
(+19%)
transaction volume

BoC credit cards

LKR 15.7 billion
(+26%)
transaction value

2.6 million
(+12%)
transaction volume

Smart Pay app

LKR 3.2 billion
(+88%)
transaction value

8.3 million
(+80%)
transaction volume

291,478
(+42%)
new registrations

Smart Passbook

1,974,138
(+31%)
registrations

Smart Online banking and B-app

LKR 1,202.6 billion
(+87%)
transaction value

33.9 million
(+25%)
transaction volume

322,923
new registrations

BoC IPG

LKR 59.0 billion
(+98%)
transaction value

LKR 26.9 million
(+38%)
transaction volume

126
Registered vendors
(+43%)

BoC PoS

LKR 114.0 billion
(+43%)
transaction value

29.3 million
(+32%)
transaction volume

8,967
PoS machines
(+16%)

Investment in Digital Infrastructure

In line with greater adoption of digital products and services resulting in increased share of digital transactions, the Bank continued to invest in strengthening digital infrastructure to ensure reliability, system-availability (uptime), and security across multiple channels. System uptime is measured regularly and incorporated as a KPI for key business units and staff.

Highlights of investments in digital infrastructure in 2022, to uplift customer service:

- Strengthened back-end to support increased load of online banking transactions
- Automation of several workflows, including debit card re-activation, FD opening, DQI validations, near cash loans, etc.
- LKR 810 million Investment during the year, pertaining to hardware infrastructure catering to the high volume of digital transactions.
- Provisions to ensure business continuity via remote-working and WFH for bank employees.
- Enhancement of BoC SmartPay features to meet the needs of different vendors and sectors, including extension of Lanka QR for payments to state institutions, fuel stations, charitable payments, and Web QR payments.
- Introduction of Dynamic QR and a Merchant Portal (with Dynamic QR, comprehensive detail reports, and interoperability of Web QR)
- Introduction of new features for BoC Connect and expansion to wider agent-network.
- Introduction of multilingual support for BoC Smart Passbook.
- Implementation of internet and mobile banking systems for the Bank's overseas branches.
- Introduction of a new Trade Finance system.
- Recruitment of new personnel and engineers for the Bank's IT division.
- Digi-pads expanded to all branches.
- Streamlined goAML reporting as part of the Bank's efforts to prevent financial crime.

Customer Education

1,019
customers directly benefited through education and awareness raising programmes

Bank of Ceylon is committed to conducting ongoing customer education and awareness programmes that target a diverse range of groups, including SMEs, MSMEs, women entrepreneurs, students, and public servants.

During the year, the Bank conducted a variety of programmes to education, raise awareness, fight disinformation, and contribute to financial literacy:

- Financial Literacy programmes targeting Development Assistants and Development Banking Staff.
- Financial Literacy with the Central Bank of Sri Lanka (CBSL) for Domestic, Agriculture and Development (DAD) customers.
- Education programmes for nursery growers registered with the Department of Export Agriculture.
- Awareness raising programmes with fisheries communities about the Bank's concessionary Diyawara Diriya loan scheme.
- Education and awareness-raising programmes about inward remittances through formal channels.
- Awareness programmes about children's banking products and green savings products: *e-thuru, Diyavara Kekulu, Haritha Kekulu.*
- Integrated communications and multi-channel campaigns to fight disinformation and build confidence in Sri Lanka's banking industry.

Responsible Banking

Bank of Ceylon practices transparency and accountability in all interactions with customers, and is committed to providing clear and accurate information about all products and services. The Bank clearly communicates all relevant information to customers in a language of their preference, including details such as interest rates, maturity periods, and all terms and conditions. Banking practices and customer engagement are fully aligned with the CBSL Customer Charter, which outlines the obligations and standards that customers can expect.

Data Privacy and IT Security

In line with moves toward greater digitalisation and online and mobile transactions, the Bank considers information security and data privacy as key focus areas of its responsibility toward customers. The Bank is committed to safeguarding the privacy and security of customers' personal and financial information through rigorous IT security policies and procedures and a risk-conscious organisational culture.

GRI 418/FN-CB-230a.1

No complaints were received concerning breaches of customer privacy. No data breaches were identified during the year, no Personally Identifiable Information was subject to data breaches, and no account holders were affected by data breaches.

FN-CB-230a.2

During the year, in addition to investing in digital infrastructure, the Bank took measures to strengthen IT Security by revising policies, conducting regular vulnerability testing, and improving

Customers

alignment with leading IT and cyber security standards and frameworks. The Bank's efforts to manage IT risks are further detailed in the Risk Management Report on page 140.

Highlights of the Bank's actions to improve data privacy and IT security in 2022:

- Complied with industry standards and enabled two-factor authentication (2FA) via 3DS 2.0 authentication protocol, to maximise security of customers.
- Implemented deception technology at the Bank's overseas branch in Chennai.
- Security Operations Centre (SOC) and Network Operations Centre (NOC) set up.
- Process initiated to obtain ISO 20001 certification for Information Technology service management.
- COBIT IT governance framework implementation initiated.
- Cyber-security training and awareness raising programmes conducted for staff across a variety of business lines.
- Data security policies and processes reviewed.
- Implementation of Data Loss Prevention (DLP) and data leakage prevention solutions underway at the Bank's Head Office and overseas branches, with plans to expand to all branches.

GRI 418-1

	2022	2021
Data breaches (Numbers)	**Nil**	Nil
Percentage of data breaches involving Personally Identifiable Information (PII) (%)	**Nil**	Nil
Account holders affected by data breaches (Numbers)	**Nil**	Nil

Way Forward

The Bank is positioning itself to support customers during 2023 too. Even as moratoriums come to an end in December 2022 and crisis-affected businesses face repayment pressures, Bank of Ceylon remains committed to working with customers in line with expected regulator recommendations for further concessions to affected borrowers during the upcoming year.

Key priority areas for the Bank in 2023 and beyond:

- Continued focus on scaling up digitalisation and adoption of digital products and services including continuous improvement and adoption of process automation.
- Strengthening internal controls and investment in capacity building of workforce to deliver sustainable value to customers.
- Strengthening of central BRRU and decentralised BRRUs to handle larger volumes and participate in the revival of businesses and the economy and creating a Business Revival culture within the Bank.
- Exploration of benefits and convenience features for BoC cardholders, including improvements to self-service.
- Further enhancements to security infrastructure, network infrastructure, and remote-working capabilities.
- Enhancing green lending and green products.
- Exploration of AI and machine-learning to support predictive capabilities and functions of the Bank.
- Launch of new website with greater accessibility and other features.
- Exploration of new non-traditional social media platforms and customer touch points.

Employees make up the vital human capital of the Bank, and are the backbone of BoC's operations. As the largest employer in the banking sector, Bank of Ceylon is committed to empowering and equipping its team to succeed; whilst contributing to developing the capacity and professionalism of the Banking Sector in Sri Lanka.

Highlights

Asia's Best Employer Brand Award 2022 – World HRD congress

Global HR Excellence Award 2022 – World HRD congress

59% female representation

65% of new recruitments for essential new roles in IT

LKR 73.9 million invested in Training and Development

Average **16 man-hours** of training per year, per employee

On the back of disruptions and changes to the world of work caused by the COVID-19 pandemic, Sri Lanka's economic crisis and resultant socio-political disruption presented unique challenges to the Bank's Human Resource (HR) function in 2022. Shortages of fuel and essential items and the civilian protests that followed impacted the ability of staff to access the Bank's branches, especially the Head Office; even as routine country-wide power cuts hampered business operations. Given the state of the economy and the Government's fiscal crisis, the Bank's scheduled and routine recruitments continued to be postponed. Increase of out-migration and resulting brain-drain also posed a challenge for the sector and the Bank. Additionally, the rising cost of living brought on by accelerating inflationary pressures served as a major point of concern for the Bank's employees.

In this climate, the Bank prioritised business continuity and the wellbeing of employees while continuing to invest and empower the workforce to achieve their potential.

Operating context

- Work disruptions coupled with fuel shortages limiting access to branches
- Talent retention was challenged coupled with migration and resultant brain drain
- Inflationary pressures and rising cost of living

The Bank's response

- Work from home (WFH)/Remote-working piloted.
- Supported staff with transport facilities to ensure business continuity.
- Prioritised recruitment in key growth areas.
- Created entry-points for professionals and high-skilled staff and leveraged contract-based engagement.
- Reviewed promotion policies, benefits, and allowances to be on par with market requirements.

Stakeholder Outcomes

Employees

Listening to Our Employees

Engagement platforms

- Multi-level staff meetings (ongoing)
- Open door culture (ongoing)
- Grievance handling mechanism (ongoing)
- Virtual engagement through tvBoC (ongoing)
- Performance appraisals (annual/biannual)
- Engagement through trade unions (ongoing)
- Year-round activity calendar (ongoing)

What they require

- Competitive remuneration schemes
- Safe work place
- Career progression
- Opportunities for skills development
- Equal opportunities
- Job security
- Post retirement benefit plan

How we responded

- Measures to ensure physical and mental well-being
- Ongoing opportunities for training and skills development
- Attractive reward and compensation structures
- Retirement benefit plans

Staff Profile

As the largest financial institution in the banking sector, the Bank of Ceylon provides a diverse and inclusive workplace that cultivates a dynamic and motivated workforce. With a workforce of 8,209 permanent employees, spread across nine provinces in Sri Lanka, as well as branches in Maldives, Seychelles, and India, and a subsidiary bank in London, the Bank is committed to diversity and inclusiveness, embracing individuals from a range of religions, ethnicities, and socio-economic backgrounds. This diversity is what sets the Bank apart and makes it a preferred employer in the industry, attracting the best and brightest talent in the country and fueling its many successes.

Workforce total employees (permanent)
8,209

59%
female representation (permanent)

Employees

Region	2022			2021		
	Permanent	Outsourced	Contract	Permanent	Outsourced	Contract
Sri Lanka						
Western Province	3,601	368	3	3,620	351	13
Central Province	708	162	0	723	160	1
Eastern Province	456	131	0	469	131	0
Northern Province	511	130	0	521	120	1
North Central Province	564	126	0	580	127	4
North Western Province	665	130	0	676	131	5
Sabaragamuwa Province	530	120	0	552	121	1
Southern Province	723	150	0	740	153	0
Uva Province	451	118	0	456	118	0
Total	8,209	1,435	3	8,337	1,412	25

Islandwide presence and international reach

Balance of youth and experience

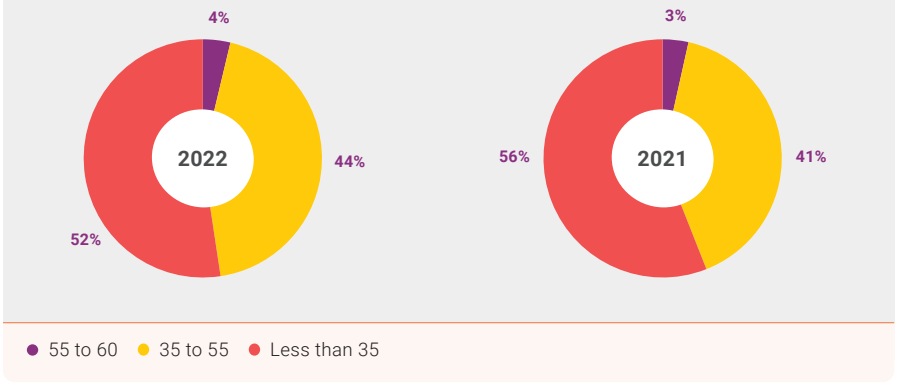
52%
employees under the age of 35

44%
employees between 35 and 55

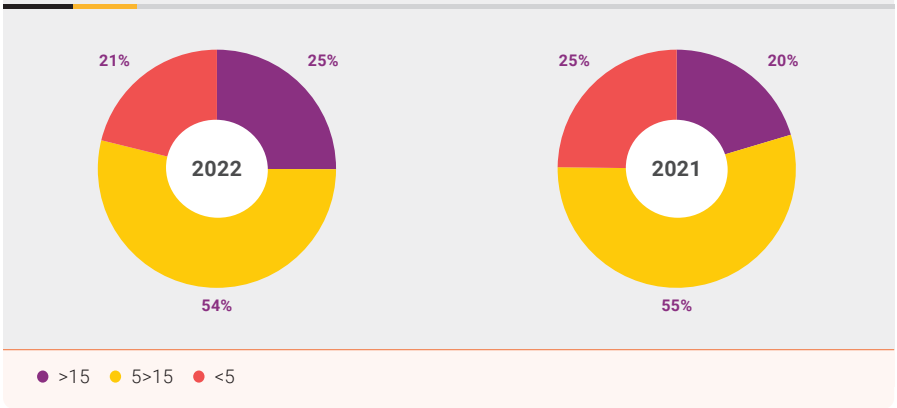
11+
years average service length of permanent employees

100%
Senior Management hired from local communities

Employees by Age



Employees by Tenure



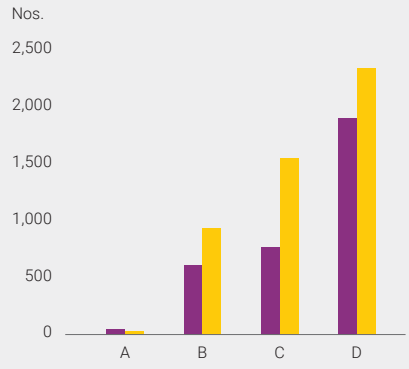
Stakeholder Outcomes

Employees

Clear career development and progression

20%
in roles with managerial/ oversight responsibility

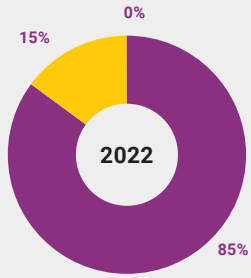
Employees by Category and Gender

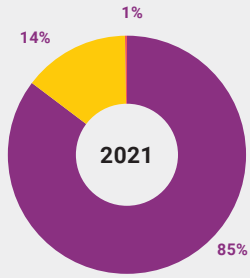


A – Corporate and Executive Management
B – Managerial
(Chief Managers, Senior Managers, Branch Managers, Assistant Managers)
C – Officers
(Including Management Trainees)
D – Staff/office assistants and allied grades

● Male ● Female

Employees by Nature of Employment





● Permanent ● Outsourced ● Contracted

Diversity and Inclusion

Bank of Ceylon's employees are diverse and dynamic; a reflection of the customers and stakeholders served by the Bank. The Bank's Human Resources Policy coupled with the Disciplinary Code, amongst other policies, ensures equal opportunities and a work environment free from sexual harassment. Additionally, the Bank has a separate policy in place to address employee grievances, further demonstrating BoC's commitment to creating a fair and inclusive work environment.

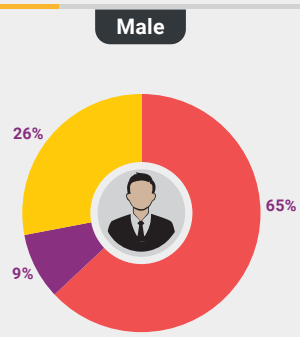
Additionally, the Bank has provisions in policy for hiring of differently-abled persons, with a 16 number of differently-abled staff enriching the Bank's services and culture during 2022.

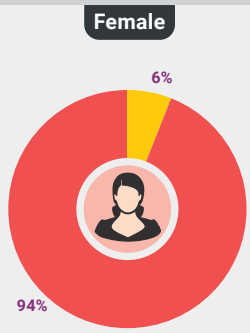
In 2022, the Bank drafted a new Exit Interview Policy after extensive consultation with stakeholders. Amidst the rapid uptake of Social Media and its associated risks, the Bank carried awareness programmes to improve employee awareness on professional handling of personal Social Media.

GRI 405-1

The Bank of Ceylon retains one of the highest female representation rates in the sector; with 59% female representation in 2022. Governing bodies are also representative of this diversity, with the Bank's Executive Management showing 94% of female representation.

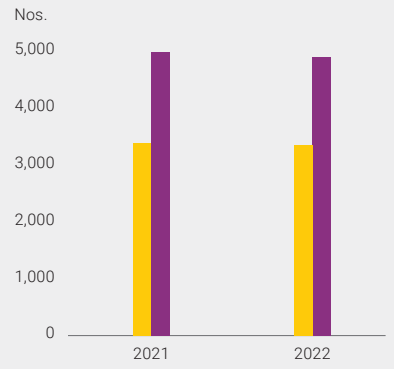
Diversity of Governing Bodies





● Executive Management ● Board of Directors ● Corporate Management

Diversity of Employees



• Male • Female

Equal Pay

GRI 405-2

As dictated by the Collective Agreement entered into for 2021-2023, and the Bank's policies in place, Bank of Ceylon ensures that equal pay (1:1 ratio) is maintained between men and women.

Inclusive Culture and Work Environment

The Bank has a Disciplinary Code in place, with directives, processes, and protocols, which take a proactive approach to dealing with potential sexual harassment in the workplace. The Bank's Grievance Handling Policy further stipulates and systematises handling of grievances from query to resolution.

GRI 401-3

These policies, together with the Bank's commitment to maintaining fair working practices, creating a conducive work-environment for women. An important component of the Bank's efforts to attract and retain key female talent is the provision of parental leave. The Bank has seen continually high return-to-work rates from employees taking parental leave, and has successfully retained 100% of employees taking parental leave.

GRI 401-3

	2022	2021
Employees entitled to parental leave as at 1st day of the year	**4,869**	4,970
Employees who availed parental leave during the year	**445**	505
Employees returned to work during the year, after completing parental leave	**414***	427
Employees due to return to work during the year after completing the parental leave	**445**	505
Employees retained 12 months after returning to work**	**505**	505
Return to work rate of employees taking parental leave	**100%**	100%
Retention rate of employees taking parental leave	**100%**	100%

*46 employees returned to work in 2022 from parental leave taken during 2021.
**Refers to employees retained, who availed parental leave during 2021.

Recruitment

GRI 401-1

All recruitments of the Bank is carried out as per a Board approved man-power plan. Public advertising of any recruitment opportunity is ensured, and stringent standards and vetting protocol maintained for selection of new recruits, inclusive of performance against written exams.

The Bank continued postponement of scheduled recruitments in light of the challenging operating environment faced by the Country and sector. However, in order to support the Bank's digitalisation efforts, recruitments were carried out to fill 37 positions in the Information Technology (IT) department. Maintaining minimal replacement levels, a total of 57 new recruits were welcomed to the Bank during the year.

57
new recruits

61%
female representation in recruitment

65%
hiring for essential growth areas in IT

Recruitment across
5
provinces

New recruits	2022	2021
Male	**22**	3
Female	**35**	2

Stakeholder Outcomes

Employees

Recruitment by Region

Province	Male	Female
Central Province	–	–
Eastern Province	–	–
Northern Province	–	–
North Central Province	–	2
North Western Province	–	1
Sabaragamuwa Province	–	2
Southern Province	–	1
Uva Province	–	–
Western Province (including H/O)	22	29
Total	22	35

Turnover

Employee Turnover

Despite pressures on employee turnover, recruitment, and retention caused by the Country's protracted economic crisis; the Bank was able to adapt and work closely with teams across operations to ensure business continuity and achievement of targets.

GRI 401-1

Considering the tumultuous and volatile business environment, staff turnover showed a slight uptick in 2022. A total of 224 employees exited the Bank during the year, through voluntary resignation and retirement. Responding to the state of the labour market, the Bank reviewed KPIs to leverage efficiencies and synergies and revisited the Promotion Policy to improve BoC's attractiveness to prospective employees. Further, the Bank is in the process of drafting a new Employee Retention Policy in response to out-migration pressures.

224
total turnover in 2022

38%
of turnover from retirement

58%
of turnover from resignation

	2022	2021
Resignation and deceased		
Male	35	15
Female	105	30
Retirement		
Male	34	0
Female	50	0
Total turnover	224	42

Building a High-performing Team

Bank of Ceylon's dedicated employees are key to the Bank's strategic ambitions and goals. They are the beating heart of the Bank and the primary interface by which the Bank serves its customers. As such, strengthening and equipping the Bank's employees to function at their optimum is a key focus area.

Value Proposition to Employees

The Bank creates value for its employees through a variety of ways that go beyond remuneration and rewards.

- **Competitive remuneration and merit-based rewards**
- **Consistent engagement and employee motivation**
- **Inclusive, equitable, and merit-based workplace culture**
- **Work-life balance with focus on health and wellbeing of staff**
- **Safe and dynamic work environment**
- **Concessionary and complementary benefits**
- **Continuous investment in training, development, and career progression**
- **Post employment benefits (pension)**

The following sections outline how the Bank has delivered on its value proposition to employees during the year 2022.

The BoC Culture

Bank of Ceylon is home to a diverse, inclusive, professional, and merit-based workplace culture. This culture is fundamental to the success of the Bank's dynamic, motivated, and high-performing workforce.

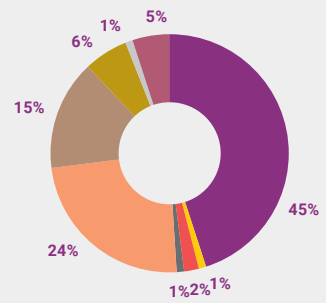
Consistent engagement; continuous investment in training, development, and career progression; fair remuneration; and facilitating a safe and excellence-focused work environment are key elements of the Bank's strategy and culture. These ensure BoC is a preferred employer in the industry able to attract and retain the best talent in the Country.

BoC's culture and workforce are also a major factor contributing to achieving the Bank's strategic pillar of digital excellence; customer-centricity, rewarding credit culture and healthy credit portfolio and stability, governance and sustainable growth.

Remuneration, Rewards, and Benefits

In line with the Collective Agreement signed for the period 2021 to 2023, the Bank's employees receive a range of benefits and incentives in line with market rates. Employees also receive discretionary bonuses and incentives, paid leave, medical reimbursements, and concessionary loan facilities as part of the Bank's commitment and investment in its Human Capital.

Staff Loan Schemes at Concessionary Rates



- Housing loan
- Distress advance
- Distress three months' salary loan
- Computer loan
- PF loan
- Unified General loan
- Investment loan
- Vehicle loan
- Others

During the year, the Bank conducted a comprehensive review of its employee remuneration and benefits programme to ensure competitiveness and fairness in light of the Country's economic crisis and rising rates of inflation. Salary revisions were also undertaken for overseas branches in line with market rates.

GRI 201-3

The Bank also supports its ex-employees who completed their tenures of dedicated service at the Bank of Ceylon, in the form of superannuation, and support for medical requirements. This support is also made available to widows and orphans, in line with the Bank's policies. Pension values were revised during the year on par with government-mandated recommendations.

- 7,326 pensioners supported by the Bank's Superannuation programme
- W/W and OP beneficiaries 2,001
- Combined benefits circular reviewed to provide for inflationary pressures

GRI 401-2

All salary and non-salary benefits for employees are defined by the Collective Agreement entered into by the Bank. The agreement dictates that fair and equitable remuneration and benefits are extended to all employees of the Bank as appropriate.

GRI 201-3

	2022 LKR billion
Investment in compensation and benefits	27.5
Superannuation support to pensioners	1.5

Staff Payments

	2022 %
Female	60
Male	40

Fair Working Practices

As an equal opportunity employer, the Bank has implemented a number of policies, procedures, and guidelines to ensure equal treatment and opportunities for all employees, regardless of race, gender, religion, or other factors. BoC's strict policies, procedures, and guidelines create a non-discriminatory work environment and comply with all local regulations and international best practices.

The HR Policy Committee, chaired by the General Manager; together with the HR and Remuneration subcommittees; oversees all matters with regard to the Bank's overarching HR strategy, including policy-level direction and support. The HR Department carries out the role of operationalising the Bank's HR management function. A Transfer Board oversees all employee transfers.

The Bank also maintains an open-door policy to ensure transparency and accountability across operations and hierarchical reporting lines.

During 2022, the Bank introduced a new Exit Interview Policy designed to help the HR function fine-tune its efforts for employee engagement and retention.

GRI 407

The Bank provides for Freedom of Association and Collective Bargaining with 100% employees obtaining membership from amongst six Trade Unions. All negotiations with Trade Unions are conducted through elected representatives and utmost transparency is ensured. The Collective Agreement signed in 2021 for the period 2021 to 2023 continued to be in force during 2022.

Stakeholder Outcomes

Employees

GRI 402-1

All permanent employees are covered by collective agreements that outline the notice period and provisions for consultation and negotiation, with a notice period of six months provided prior to significant operational changes.

GRI 404-3

The Bank conducts bi-annual performance evaluations for all employees, based on pre-determined Key Performance Indicators (KPIs). The Bank's Promotion and Career Advancement Policy outlines the criteria required for promotions, and promotions are granted based on a combination of interview performance and pre-interview marks, with a significant portion of the pre-interview marks coming from the Performance Management System and make available before the promotion interviews.

Merit-based promotions	2022	2021
Male	301	303
Female	287	426

GRI 406-1

No incidents of discrimination and corrective actions taken were reported during the year.

Safe and Dynamic Working Environment

Bank of Ceylon places great importance on the health, safety, and wellbeing of its employees. The Bank has instituted comprehensive guidelines to cover key areas of Health and Safety (H&S) in the workplace. Further, employee entitlements under the Bank's medical assistance schemes are clearly outlined in collective agreements that promote participation and consultation in Occupational Health and Safety (OHS) matters.

Response to the Fuel Crisis and COVID-19 Pandemic

- LKR 47.6 million invested in staff safety and facilitation of access (transport) in response to COVID-19 and the fuel crisis.
- Work from Home (WFH) piloted to select functions and expansion plans are in place
- 887 man-days of WFH provided
- Infrastructure for remote-work expanded
- Over 3,000 employees availed use of the Bank-provided transport facilities during the crisis
- Temporary transfers, flexi-hours, rotations, roasters, and relaxed dress codes instituted on a need-basis
- Medical reimbursements continued for COVID-19 affected employees and family members

GRI 403-7/403-8/403-9/403-10

56 lost-days were recorded during the year as a result of absenteeism or work-related injury and/or work-related ill health. This reflects the Bank's continued efforts to mitigate the impact of the COVID-19 pandemic and ensure a safe work environment for all employees.

GRI 403-2/403-1/403-3

	Days
Lost days or absenteeism due to work related injury and/or occupational disease	56
Lost days due to COVID-19 infections	51
Special leave granted for COVID-19 related quarantine	331

GRI 403-4/403-5

As part of the Bank's commitment to uphold the health and safety of employees, formal Occupational Health and Safety (OHS) Committees are in place, and include representation from employees. Routine fire drills and regular health awareness programmes were conducted during the year to make employees aware and promulgate a culture of Health and Safety. In addition, a high-level Special Safety Task Force, made up of senior management, continues to assess and manage Health and Safety risks for all employees.

GRI 403-6

To support the health of employees, the Bank has made available an in-house doctor and a pharmacy at the Head Office and offers a comprehensive medical assistance scheme to all permanent employees, covering Outpatient (OPD) treatment, hospitalisation, and includes treatment for COVID-19, amongst others.

Training and Development

Investing in employee training remains a priority for the Bank of Ceylon, with significant resources dedicated to this effort. The Bank's HR function endeavours to enable employees to become better leaders, effective decision-makers, and motivated and satisfied individuals.

These values are at the center of the Bank's efforts toward building a resilient workforce and ensuring sustainable value creation and growth.

In particular, the Bank's training framework is designed to equip its workforce with the skills and knowledge necessary to thrive in a rapidly changing, volatile, and complex environment. The framework also outlines systems and processes for needs assessment, goal-setting, programme design and delineation of learning outcomes, selection of training methods, and measures to ascertain effectiveness of training.

During 2022, the Bank allocated LKR 73.9 million towards training and development of employees. With regard to leadership development and career progression, the Bank initiated data-driven, technology-aided efforts to roll out succession planning for managerial positions and above; identifying particular roles and grooming suitable candidates to take up more responsibility and senior positions. These efforts were supported by concerted Leadership Development programmes, arranged for all managerial level positions, utilising external resource persons and institutions.

Despite challenges posed by the tail-end of the pandemic and the onset of the economic crisis, the Bank continued its training efforts by scaling up utilisation of virtual platforms and leveraging systems and channels for training such as MSTeams, Zoom, and tvBoC. Trainers adapted training programmes to suit online and digital platforms with a variety of interactive and engaging resources.

The Bank also carries out physical training at a dedicated training center in Maharagama, and facilitates other training with qualified and expert resource persons in Sri Lanka and overseas.

GRI 404-1

The Bank provided training amounting to 129,493 man-hours during the year, at an average of 16 man-hours of training per employee for the year.

	2022 LKR million	2021 LKR million
Investment in training	73.9	64.1

663
training programmes carried out

129,493
total training man hours

Dedicated "Central Training Institute" with Auditorium, Lecture halls, Library, Hostel facility and specialised resource pool

Average
16 man-hours
of training per year, per employee

Adoption of online and digital training channels scaled up

As part of adapting to a rapidly changing business environment, the Bank's training and development initiatives in 2022 focused on re-skilling employees for the new era of banking and digitalised financial services, while furthering BoC's long-term plan to mainstream customer-centricity, improve efficiency, and skill-up employees to unlock their potentials.

GRI 404-2

Key Training Programmes during the Year Focused on the following Areas, amongst Others:

- Lending
- Information technology
- Compliance
- Collection and recovery
- General banking and banking operations
- Internal control and audit
- Treasury operations
- Human resource
- Skills development
- Sales and marketing
- Finance and planning
- Risk management
- Legal
- Security
- Personal grooming and etiquette
- Work life balance and stress management

tvBoC constitutes an integral channel through which the Bank delivers dynamic and engaging training programmes to employees. Coupled with other e-learning and digital platforms, the Bank ensured delivery of crucial training to employees in a timely manner.

Employees

Key Training Programmes Telecast through tvBoC:

- Discussion programme on pawning, foreign currency, and remittances.
- CRIB report generation and data decoding.
- Series on leasing, development lending and refinancing.

Employee Engagement

Transparent, consistent, and systematised employee engagement has been a key success factor determining the strength of the Bank's relationship with its employees, its historically low levels of staff turnover, and the excellent performance of the Bank's employees. The Bank's commitment to engaging with employees has contributed to maintaining high levels of motivation, even in the face of remote work and disruptions such as the COVID-19 pandemic.

The Bank fosters open communication, employs an open-door policy and utilises a number of channels to ensure staff are informed, connected, and engaged.

The Bank's Channels of Employee Engagement

In 2022, a mix of channels including the Bank's in-house television channel "tvBoC"; new digital channels such as e-Learning platforms, MSTeams; traditional digital channels such as email and email newsletters; Social Media applications such as WhatsApp; and traditional physical channels such as events and competitions; proved to be the most effective in garnering employee engagement.

An employee engagement survey was initiated in 2022, and results of the survey are expected to be finalised during the coming months.

Performance-based awards such as the BoC Spirit Awards and Best Branch Competition were major highlights of the Bank's employee engagement, which allowed high-performing and hard-working employees to be rewarded and recognised.

Further, cross-functional teams were introduced in 2022 to facilitate open sharing, ideation, and innovation across business units, operations, and segments. Standout ideas are rewarded and recognised, and channeled through the Business Process Reengineering Project (BPRP) steering committee to assess viability of implementation in the Bank.

- 100 hours of training telecasting through tvBoC
- Range of facilities for employee wellbeing and welfare
- Campaigns and initiatives targeting employee psychosocial health
- Holiday bungalows and resorts
- Multiple events and promotional campaigns
- Branch-level engagement initiatives

With 100 hours of programming telecast through tvBoC in 2022, the channel has grown to become part of the Bank's fabric, and a key source of employee engagement that covers the breadth of the Bank's operations.

Programmes Telecast through tvBoC in 2022, included:

- Relaunched WhatsApp Show targeting employee engagement and awareness
- Cultural and religious programmes
- Monthly News Bulletins

Multi-level staff meetings	Open-door culture	Grievance handling mechanism	Live and scheduled programming through tvBoC
Ceybank newsletter with employee submissions	Engagement through trade unions	Two dedicated channels through PEO TV	Email and sectoral news and awareness via BoC Library
Performance appraisals	Year-round activity calendar	Talent shows, singing competitions, sports meet	

- Programmes promoting health awareness and wellbeing of employees
- Special programmes on counselling and psychosocial wellbeing
- Educational programmes supporting families and children of employees
- Live coverage of the Bank's official events
- Promotional campaigns

Further, as part of efforts to encourage employees to engage in activities beyond daily banking operations, the Bank initiated the *Shashrika Gewaththa* – Home Gardening programme. The programme also aligns with the National priority of improving food security of communities across the Island. The programme saw impressive adoption with 328 branches and 148 employees taking on the programme. Branch management utilised social media for a multiplier effect, sharing best practices, recognising success, and appreciating the efforts of branches and staff.

Staff Wellbeing and Welfare Facilities

The Bank's range of facilities for staff wellbeing and welfare also prove to be effective in motivating and engaging employees. Facilities include a gymnasium, library, and a number of resorts and bungalows across the Island.

During 2022, the Bank enhanced library facilities and relocated the library to the Head Office; introduced in psychosocial counselling made available to all staff.

Way Forward

The Bank's employees hold great potential in the future direction and sustainability of the Bank. They are the nexus of the Bank's customer-facing operations, and will be representatives and ambassadors of BoC's customer-centric culture.

BoC's Human Capital is also a key element in unlocking the Bank's digital transformation. As such, the Bank focuses on building a team that is technologically advanced and results-oriented.

Agility and dynamism are ever-more crucial requirements in a rapidly changing business environment, and the Bank's long-term focus on sustainable value creation hinges on the ideation, innovation, and transformative capacity of its workforce.

Looking forward, the Bank is committed to exploring new work arrangements and ways of working that would attract and cater to youth while promoting a healthy work-life balance for employees.

Continual investment is also expected to continue upskilling, development leadership, and planning the career path of employees alongside the Bank's future trajectory.

6

Stakeholder Outcomes

Shareholder and Fund Providers

Bank of Ceylon is the Country's first state-owned Commercial Bank, and remains fully owned by the Government of Sri Lanka. The Bank also attracts investments from individuals and organisations who purchase its debt securities, as well as lenders who provide crucial financial support. Additionally, the Bank also functions as a Participatory Financial Institute (PFI); leveraging bilateral and multilateral funding from international agencies and engaging in refinancing to directly support targeted industries and segments of society. These partnerships enable Bank of Ceylon to enhance its services and contribute to National development.

Highlights

LKR 6.5 billion BASEL III compliant subordinated Tier II debenture fully subscribed.

Capital infusion of **LKR 730 million** made by the Government Treasury during the year

Dividend policy focused on preserving profit generated for internal capital generation.

29% cost-to-income ratio reflects effective cost management despite hyper-inflationary pressures.

Ensured strength of the Balance Sheet by covering **10%** of the loans and advances by impairment provision to face future shocks

LKR 10,167.37 net assets value per share

Operating Context

Despite the challenging operating environment, the Bank of Ceylon remained steadfast in fulfilling its commitments to the shareholder. BoC successfully navigated unprecedented challenges to deliver a noteworthy performance that underscores the Bank's sustainable business model, strategic decision-making, and dynamism and agility in responding to crises. Throughout the year, focus remained on delivering sustainable value to stakeholders, delivering on commitments, and upholding the Bank's proposition.

The Bank's performance in this regard is described in detail in the Financial Review on page 60, and the Business Line Reviews from page 65 to page 77.

Listening to our shareholder and fund providers

Engagement platforms

- Annual Report and other publications (ongoing)
- Periodic meetings (ongoing)
- BoC website (ongoing)
- One-to-one meetings with large investors (periodic)
- Investor presentations and roadshows (periodic)
- Engagement through market intermediaries (periodic)

What they require

- Adequate return commensurate with risk undertaken
- Transparent and timely reporting
- Strong corporate governance and risk management practices
- Reputation
- Responsible business practices

How we responded

- Creating value and generation of adequate returns
- Focus on preserving balance sheet quality
- Effective margin management
- Ongoing focus on strengthening capital and growth
- Market disclosure in a timely manner

Profitability

Profit before tax of
LKR 31.0 billion

14%
growth in Net Interest Income (NII)

91%
growth in non-fund based income supported by FOREX gain

15%
increase in net fee and commission income

LKR 87.2 billion
impairment provision against loans and advances, and foreign currency denominated Government Securities

29%
cost to income ratio

Balance Sheet Strength

Assets growth of
14%
against negative GDP growth

10%
growth in private sector loan portfolio

43%
growth of investment book

10%
impairment provision as a percentage of gross loans and advances

Stakeholder Outcomes

Shareholder and Fund Providers

Capitalisation

Capital buffers maintained throughout the year

LKR 24.9 billion
internally generated capital during the year

LKR 6.5 billion
Tier II compliant debentures issued to strengthen Total Capital

Shareholder Return

14.1%
Return on equity

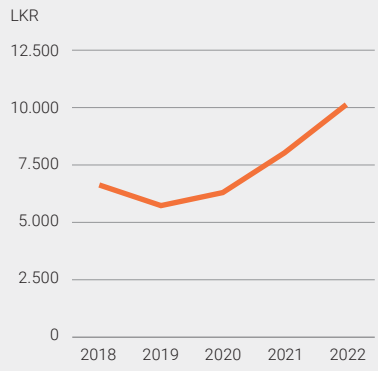
LKR 1,279
Earnings per share

LKR 13.86
Dividend per share

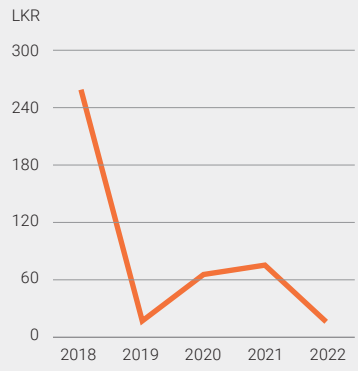
Net Assets Value per Share

Indicating the Bank's stability and strength the Net Assets Value (NAV) per share of the Bank has been increased over the years. During the year 2022, NAV per share has been increased by 27% in line with the 14% growth reported in the assets base.

Net Assets Value per Share



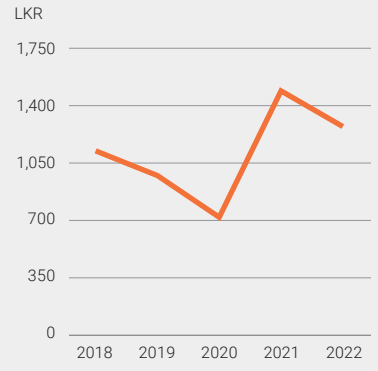
Dividend per Share



Earnings per Share

The year 2022 was also a challenging year for the Bank which brought down the Profit After Tax for the year by 15% comparing to 2021. In line with the drop in PAT, the EPS of the Bank for the year also declined by 15%.

Earnings per Share



Dividend per Share

The Bank's Dividend per share decreased by 81% during the year as the internally generated capital was preserved to ensure the stability and future growth of the Bank with the agreement of shareholder while adhering to the prudential directives given by the regulator.

Way Forward

Considering uncertainties in the economic climate in 2023 and beyond, Bank of Ceylon is prioritising strengthening of the balance sheet in order to pursue long-term sustainability and value-creation potential of the Bank.

The Bank expects to unlock gains from technology adoption, leverage synergies, and maximise on opportunities in order to achieve moderate growth in key areas, in the year ahead.

The Bank is committed to continue meeting its obligations and commitments in the short, medium, and long-term; on the back of successful liquidity management. As a responsible participatory financial institution, the Bank has taken steps to weather this challenging period and position itself to support Sri Lanka's economy, industry, and institutions alongside the Country's economic revival.

BoC is committed to consistent scale-up of Environment & Social (E&S) assessment, in line with the Bank's ESMS policy that is in accordance with major multilateral and bilateral guidelines.

As Sri Lanka's largest bank and a State-owned, systemically important institution, Bank of Ceylon's responsibility towards the Community and Environment is paramount. The Bank is committed to playing a central role in prioritising National development and economic growth. Mainstreaming sustainability is one of five strategic enablers in the Bank's Strategic Plan, which directs the Bank's actions towards community and the environment.

Highlights

LKR 52.6 billion
disbursed to the MSME sector

LKR 5.45 billion
disbursed through microfinancing initiatives

Launched new
green savings and loan products

Branches brought up to
Green Building SL standards

"BoC Gammana"
model village initiatives

31%
of microfinancing facilities disbursed to women-owned/ women-headed businesses

LKR 998.5 million
funding for sustainable manufacturing as at 2022

LKR 1.9 billion
outstanding loans to the renewable energy sector at end 2022

LKR 4.7 billion of financing disbursed after ESMS compliance

3,219.3 Mwh
renewable energy generated
(based on estimates)

13%
of energy requirement of operations from renewable sources

51
total branches solarised

GRI 302-3

Awarded
Green Business Leadership of the Year,
at the Annual Green Building Awards

Operating Context

2022 brought major challenges for communities, the Country, and the environment. Communities were doubly-impacted by rapidly escalating inflation and volatility of the economic environment that threatened businesses and livelihoods.

At the same time, rising threats and risks brought on by climate change have increased focus on consideration of environmental and social factors in financial activities such as lending and investment.

Effects of sovereign default and resulting rating downgrade limited the Bank's opportunities to access low cost external funding to finance Sustainable Development and Green products. However, the Bank took a strategic decision to continue prioritising these activities utilising the Bank's own funds.

Stakeholder Outcomes

Community and Environment

Operating context

- Country and communities impacted by knock-on effects of the economic crisis – Fuel and energy crisis resulting in shortage, disruptions, and escalating costs for communities.
- Environmental issues including climate change impacting country and planet.

The Bank's response

- Carried out CSR programmes and promoted volunteerism to support rural development
- Supported rural development and vulnerable communities through credit to MSMEs and Female-headed businesses
- Prioritised business continuity and supported financial inclusion
- Launched new products and concessionary loans to support a carbon-free future
- Finalised carbon-management plan for the Bank and focused on reducing environmental footprint
- Scaled up screening for Environmental and Social factors in lending
- Designated a specialised Sustainable Banking Unit to take forward sustainability agenda

Engagement with Community and Environment

Engagement platforms

- ✔ Annual Report and other publications (ongoing)
- ✔ BoC website (ongoing)
- ✔ Industry forums and meetings (ongoing)
- ✔ Engagement through branches (ongoing)
- ✔ CSR activities and sponsorships (ongoing)
- ✔ Press releases and media campaigns (ongoing)

What they require

- ✔ Supporting businesses and driving the revival of the economy
- ✔ Maintaining confidence within the financial sector
- ✔ Alignment of the Bank's strategy to National development agenda
- ✔ Contribution to community development projects
- ✔ Responsible business practices
- ✔ Financial inclusion and empowerment

How we responded

- ✔ Strong governance and risk management practices
- ✔ Employment generation
- ✔ Facilitating financial inclusion across the country
- ✔ Continued investments in long term CSR projects
- ✔ Value creation to the Government
- ✔ Support for economic revival of the Country

National Development

Bank of Ceylon's role in National development amidst unprecedented challenges is highlighted across this Annual Report. The Bank has contributed for stability of the financial sector, provision of essential banking services, supported macro-economic stability, enabled continuity of essential goods and services, and driven economic revival. Information on the above is included in exploration of the operating context on page 43, discussions under the Bank's business lines on pages 65 to 77, performance against stakeholder outcomes on pages 78 to 119, and the Bank's Risk Management report on pages 140 to 156.

Provision of Essential Banking Services

The Bank prioritised business continuity despite challenges and disruptions in 2022, ensuring that all branches remained open and operational. The Bank's large network of branches, and extensive reach via digital platforms, grassroots agent network, and mobile banking units also allowed for continued access to banking services across the Island. Actions undertaken to ensure business continuity are described in the Customer section on pages 78 to 88 and in the business line reviews on page 77.

Supporting Macro-Economic Stability

USD 3.2 billion
inward remittances facilitated

LKR 31.9 billion
contributed to government revenue in taxes and dividends

Bank of Ceylon has supported implementation of the Government's monetary policy aimed at strengthening the country's economic climate. As the market leader in remittances, the Bank facilitated crucial foreign currency inflows into the country and allocated on priority basis during the year. Additionally, the Bank contributes to the Government's revenue through tax and dividends, as well as investments in the Government securities market.

Continuity of Essential Goods and Services

USD 1.9 billion
financing provided for petroleum and LPG imports

USD 69.9 million
worth pharmaceutical imports were facilitated

Bank of Ceylon's role in facilitating import of essentials such as petroleum, Liquid Petroleum Gas (LPG), pharmaceuticals, and medical equipment, despite the Country's stressed foreign currency reserves, is highlighted across this Annual Report. In 2022, BoC financed USD 1.9 billion for petroleum and LPG imports. In addition, the Bank supported operationalisation of bilateral funding lines and lines of credit for import of food, medicine, commodities, and other essential goods.

Throughout, the Bank provided for the foreign exchange needs of its customers: Students studying overseas and businesses struggling to ensure continuity of services amidst challenges with opening Letters of Credit (LCs). The Bank also supported the operations of essential government services by bridging liquidity shortfalls in key state-owned organisations and facilitating salary, pension, and other payments.

Economic Revival

LKR 19.5 billion
disbursed to agriculture, food processing and dairy under development lending

40
businesses supported under the Bank's Business Revival scheme

The Bank has made a significant contribution to driving the country's economic revival through various measures. Choosing to helping with crisis-affected customers and support their business sustainability, the Bank provided extended moratoriums and concessions, restructured and rescheduled facilities, and channeled funds towards worst-affected sectors to support their resilience and revival. Actions of the Bank's Business Revival Unit are detailed in the Customers section on page 78.

Stakeholder Outcomes

Community and Environment

Infrastructure Development

Bank of Ceylon serves as a vital lender to finance Government and private sector infrastructure development, including groundbreaking infrastructure projects that contribute to economic activity and improved standards of living across the Island. At the end of the year, the Bank's exposure to construction and infrastructure projects amounted to LKR 243.6 billion. For more information on key projects and infrastructure development financed by BoC, refer the Bank's Project Financing performance, as described in the Corporate and Offshore business line review found on page 72.

Bank of Ceylon adopts a strategic approach to Corporate Social Responsibility (CSR) and Social Investment, ensuring that individual projects align with BoC's long-term sustainability agenda, mission, and corporate values. To achieve this, all projects are subject to an evaluation model that is aligned with the Global Goals, which drive meaningful and long-term change. All community engagement and development programmes are monitored by the Bank's Sustainability Unit, ensuring effective deployment of resources and the fulfillment of project objectives.

GRI 413-1

The Bank carried out a number of programmes in 2022, including concerted support for development of three villages through *BoC Gammana*. The programme provided for the environmental, social, and developmental needs of the community through holistic support, and partnered with other institutions and services to improve the health and welfare of targeted villages. The Bank also provided training to these communities on saving habits, financial literacy, and book-keeping.

Further, the Bank remained responsive to the needs of key segments of society, and invested approximately LKR 45.9 million in support of professional development and entrepreneurship, cultural and religious events, and the spheres of Sport, Education, Healthcare, and Science and Technology. During the year, BoC employees stood out as exemplars, volunteering and organising community development programmes in response to crises or pressing needs in their communities.

Community Development

LKR 45.9 million
invested in support of key industries and religious and cultural development

3
model villages supported under the BoC *Gammana* programme

LKR 60.1 million
investment in CSR

Environmental Conservation

LKR 3.2 million
invested in reforestation via the BoC *Haritha Arana* project

Bank of Ceylon contributes to safeguarding and conserving Sri Lanka's precious natural resources, as part of its commitment as a responsible corporate citizen, and in line with the government's efforts to increase extent and quality of forest cover. In partnership with the Department of Forest Conservation, Bank of Ceylon supports a multi-year project to restore 100 hectares of degraded forest in the *Hurulu* Forest Reserve in Habarana: a UNESCO designated Biosphere Reserve and important habitat for Sri Lankan Elephant and other endangered flora and fauna. In 2022, a sum of LKR 3.2 million was invested towards the project.

Identifying the rising pressures on the environment and ecosystems caused by plastic pollution, a project initiated by the Bank in 2019 in partnership with the Ministry of Megapolis and Western Development, to promote recycling of non-degradable waste in schools across the Western Province continued in 2022 as well.

Sustainable Financing

LKR 5.3 billion
value of sustainable finance disbursed as per CBSL taxonomy

In line with the Roadmap for Sustainable Finance outlined by the Central Bank of Sri Lanka (CBSL), Bank of Ceylon works to manage Environmental and Social (E&S) risks; prioritise E&S considerations in our lending decisions; and actively support socially inclusive and environment/climate-friendly projects, products, and services through various green financing credit lines and support services.

Management Commitment

The Bank has a dedicated Sustainability Banking Unit in place to drive its Sustainable Financing agenda and provide operational and ancillary support to the BoC's primary business units. The Sustainability Banking Unit was empowered in 2022, with appointment of key management personnel. The Bank's Sustainable Financing agenda garners management support through a Sustainability Committee, chaired by the General Manager of the Bank, and reporting to the Board.

Bank of Ceylon strictly adheres to the environmental and social impact management requirements of funding agencies and institutions, and follows a comprehensive Environmental and Social Management System (ESMS) policy and procedures with regard to selected loan categories.

Green Financing

LKR 49.6 million
granted for sustainable agriculture

162
new green financing loans granted in 2022

LKR 1.9 billion
outstanding loans to the renewable energy sector at end 2022

1,761
loans to the renewable energy sector in operation at end 2022

Bank of Ceylon has pioneered a number of green financing initiatives, including concessionary funding options aimed at promoting the uptake of renewable energy and clean technologies amongst domestic and commercial users. In 2022, the Bank introduced a number of new products including loans for solar-power systems and biogas systems, and loans and leases for electric transport options that reduce dependency on fossil-fuels, thereby contributing to climate change mitigation via emission reduction.

Stakeholder Outcomes

Community and Environment

Despite lacking access to external funding, the Bank allocated funds to grant new green financing facilities amounting to LKR 711.6 million in 2022. As of 31 December 2022, the Bank's outstanding loans to the renewable energy sector amounted to LKR 1.9 billion, demonstrating Bank of Ceylon's dedication to advancing sustainable energy solutions.

GRI 302-4

Value of outstanding loans to the renewable energy sector (LKR million)	1,964.9
Number of outstanding loans to the renewable energy sector	1,761
Value of new facilities granted for green finance (LKR million)	5,284.0
Number of new facilities granted for green finance	1,809

Responsible Investment

LKR 616,788.2
raised for green financing initiatives through new public investment products

In 2022, the Bank piloted initiatives to raise awareness on climate change and global environmental issues, while driving responsible investment by the public. Two deposit-taking products were introduced during the year: *Haritha Kekulu* for school children, and *e-thuru* for other personal and non-personal customers. These specialised investment products allowed customers to designate their funds for green financing initiatives carried out by the Bank.

The Bank carried out a number of activities and programmes alongside the products, whereby students were educated and made aware about global environmental issues and given the opportunity to engage in tree planting and reforestation initiatives supported by the Bank.

Environmental, Social, and Governance (ESG) Integration

LKR 4.7 billion
of financing disbursed after ESMS compliance

841
loans screened for E&S criteria during the year

153
officers trained for E&S screening during the year

LKR 711.6 million
sustainable financing disbursed in 2022

FN-CB-410a.2

The Bank's integration of ESG considerations with its core business ranges from assessment and management of E&S risk through an Environment and Social Risk (ESR) unit reporting to the Chief Risk Officer; corporate disclosure against standardised ESG metrics and indicators; and responsible lending with comprehensive E&S screening and evaluation of commercial loans and project financing, guided by the Bank's ESMS policy.

ESG Disclosure

In 2022, BoC publishes its tenth Integrated Annual Report. The Bank's report follows international reporting frameworks and best practices, and includes external assurance of ESG/Sustainability information. A comprehensive overview of ESG incorporation in corporate disclosure is presented in the section titled "About this Report" on page 4.

Capacity Building

Bank of Ceylon continues to invest in capacity building of its cadre, in line with the Bank's ESMS policy and guided by the dedicated ESMS Unit under BoC's Independent Integrated Risk Management Division (IIRMD). The Bank carried out a number of activities in 2022 to educate and raise awareness amongst staff; leveraging internal and external resources and experts in the field to train and build awareness and capacity of employees from the highest tiers of corporate management to the Bank's credit officers and relationship officers.

Responsible Lending and ESG Risk Management

During the year, the Bank screened 841 loan facilities for E&S criteria, representing loan schemes operated under the Consumer and Development Banking Division. During the year, LKR 1.3 billion in loans was disbursed after conforming to ESMS compliance.

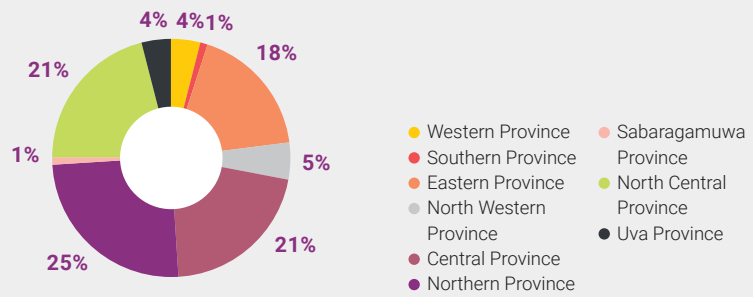
Number of officers trained for E&S Screening	153
Number of loans screened for ESMS compliances during the year	841
Value of facilities disbursed after confirming to ESMS compliances during the year (LKR billion)	4.7
Number of loans rejected during the year due to non-compliance with ESMS regulations	Nil

FN-CB-410a.1

As per Bank of Ceylon's well established ESMS policy that is in accordance with ADB, AIIB, and CBSL guidelines; credit lines and loans rated as A, B, or C are screened for E&S criteria.

The Bank upholds a commitment to not fund projects that damage biodiversity. Additionally, as per regulations upheld by the Central Environmental Authority (CEA) and outlined in the National Environmental Act, projects seeking funding are reviewed for Environmental Protection License (EPL) and prior approval from appropriate authorities.

Provincial Distribution of the "BoC *Mithuru*" Societies



Financial Inclusion

LKR 52.6 billion
disbursed to the MSME sector

LKR 5.4 billion
disbursed through microfinancing initiatives

21,495
new loans provided to the microfinance sector

LKR 4.3 billion
of loans to MSMEs disbursed to women-owned/women-headed businesses

31%
of microfinancing facilities disbursed to women-owned/women-headed businesses

9,211
new microfinance loans provided to women-owned/women-headed businesses

4,091
other development loans provided to women-owned/women-headed businesses

1,000+
participants in awareness raising and financial literacy programmes

34
registered agents under agent banking

Stakeholder Outcomes

Community and Environment

As a state bank with the widest reach across the Island, facilitating and ensuring financial accessibility and social and financial inclusion is part of the Bank's mandate and enshrined in its sustainable business model.

Access to Services

Bank of Ceylon's contribution to financial inclusion involves ensuring access to finance for the Country's most remote, vulnerable, and historically underserved segments; primarily through an extensive branch network and wide-reaching customer touch points. The Bank's reach includes an extensive grassroots agent-banking network via BoC Connect and the Bank's mobile Branch on Wheels initiative. Details of the extent of customer touch points and reach are described in the Our Reach on page 79.

FN-CB-240a.4

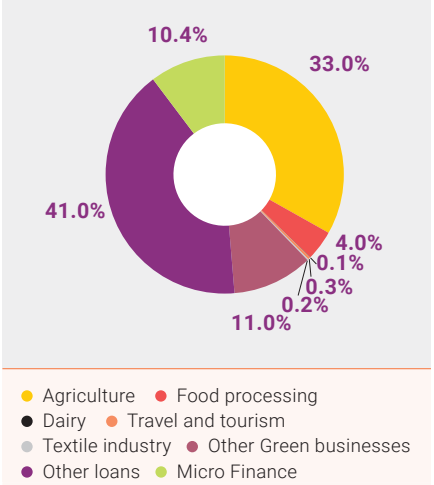
During 2022, in addition to prioritising business continuity and ensuring access to financial services despite challenges, the Bank carried out initiatives throughout the year to improve financial literacy and raise awareness about the Bank's concessionary products and offering amongst employees and customers. Information on customer training programmes are detailed in the Customers section on page 84.

Development Lending

Another key component of the Bank's contribution is through development lending that supports entire supply chains, encourages entrepreneurship, creates and sustains employment, and contributes to rural and industrial development across the Country.

Focusing on social and financial inclusion and equitable development, Bank of Ceylon provides financial services to some of the most vulnerable sectors and industries that are historically underserved, yet at the heart of Sri Lanka's economy. The Bank also serves as a Participatory Financial Institute (PFI) for various concessionary funding lines that provide relief to crisis-affected sectors, support vulnerable groups across the Island, and promote adoption of green technologies and businesses.

Composition of Development Loans Disbursed



FN-CB-240a.1

Through special lending products and its successful microfinancing initiative, *BoC Mithuru*, the Bank supports and finances entrepreneurial ventures, MSMEs, and cottage industries. In 2022, the Bank was able to allocate its own funds for lending to this segment amounting to LKR 52.6 million, while such outstanding loans to the segment stood at LKR 105.4 million. A further 21,495 microfinance facilities amounting to LKR 5.45 billion were also disbursed during the year, bringing total outstanding loans via microfinance to LKR 13.1 billion at year end.

The Bank's financial support to these critical segments of the community goes hand-in-hand with advisory services, awareness-raising, and support for market access. In 2022, the Bank pioneered *BoC Hela Bojun* and *BoC Mithuru* Pola, providing entrepreneurial support and market access for fresh produce, handicrafts, and other products from *BoC Mithuru* societies.

The Bank's other development lending included specialised products and participatory financing and refinancing through CBSL and multilateral agencies such as the Asian Development Bank (ADB). Credit facilities under these schemes were extended to smallholders and MSMEs in key sectors, industries, and segments of society and heavily affected by Sri Lanka's economic crisis including agriculture, aquaculture, fisheries, dairy, food processing, and tourism. In 2022, such development lending to MSMEs was disbursed through 1,302 loans amounting to LKR 19.7 billion, while the Bank's outstanding development loan portfolio to MSMEs stood at LKR 105.4 billion.

The Bank also focuses its efforts on improving access to finance for women entrepreneurs and women-headed businesses, enabling thousands of women across the Island to develop and diversify income generation opportunities and livelihoods that can support themselves, their families, and their communities. During the course of the year, the Bank provided 9,211 new microfinance loans amounting to LKR 1.67 billion to female entrepreneurs and women-owned or women-headed businesses. This represented 31% of the Bank's microfinance lending activity in 2022. Additionally, 4,091 other development loans were disbursed to women-led businesses across a variety of sectors; amounting LKR 2.7 billion, and representing 5% of the Bank's development lending to MSMEs in 2022.

FN-CB-240a.3

Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers.

	2022
Microfinancing	
Value of new microfinance lending (LKR million)	5,453.9
Number of new microfinance loans	21,495
Value of microfinance lending to women-headed businesses (LKR million)	1,673.8
Number of new microfinance loans to women-headed businesses	9,211
Value of outstanding loans via microfinancing at year end (LKR million)	13,087.1

Environmental Footprint of Operations

Awarded Green Business Leadership of the Year, at the Annual Green Building Awards

Bank of Ceylon's wide geographic reach and extensive customer base necessitates strategic and concerted action toward reducing the environmental footprint of operations. BoC aims to achieve this by implementing environmentally friendly practices across operations and by promoting sustainable practices along the Bank's value chain.

As part of efforts to mainstream environmental-friendly practices, the Bank instills a culture of sustainability across operations and business units. Alongside training and awareness raising activities carried out amongst employees, a sustainability pledge was introduced, and special loan schemes for solar installation made available for staff. A unique initiative to drive home the message of sustainability and garner employee engagement; the Bank pursued home gardening projects at branch-level. In 2022, 328 branches and 148 employees actively engaged in cultivation of local produce within Bank grounds.

GRI 302-1/2/3

Energy Consumption

51
branches equipped with solar photovoltaic technology in 2022

7
Gold awards,

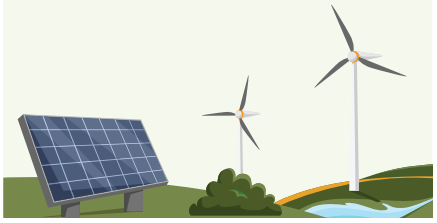
1
Silver award and

1
platinum award won by branches by adopting green building concept

3,219.3 Mwh
renewable energy generated

13%
of energy requirement of operations from renewable sources

9
branches completed as per the green building concept



The Bank is committed to increasing

energy efficiency across operations and the branch network, whilst reducing reliance on fossil fuel. Bank of Ceylon's branch solarisation continued in 2022, with one more branches equipped with solar photovoltaic technology and five branches in the process of solarisation.

BoC has adopted standards and policies that dictate that all new building construction undertaken by the Bank will be carried out according to standards for green buildings issued by the Green Building Council (GBC).

As at the end of 2022, 51 branches (9% of the Bank's branch network) are solarized. Seven branches are GREENSL® Gold-rated and 01 branch retains Platinum-rating under the GREENSL® Green rating system for built environment. A further 07 branches are in the process of obtaining green building certification.

The Bank employs GBC-certified Engineers, and the Sustainability Unit is empowered by employees with certification from the National Cleaner Production Centre (NCPC). Investing in building skills related to energy efficiency and green technology, the Bank nominated key staff for external training and capacity building in 2022.

The Bank's achievements toward solarisation and green building certification were recognised at the Annual Green Building Awards 2022, organised by the Green Building Council of Sri Lanka (GBCSL). Bank of Ceylon was awarded the Green Business Leadership of the Year Award 2022 – Bank Section; and the Wadduwa Branch received a Gold Award. BoC's Electrical Engineer Mr N K B Thilakawardana was felicitated with Honourable Mention under the Outstanding Green Professional of the year category.

Energy Consumed

GRI 302-1/302-4/305-4

	2022	2021	% change
Electricity (Mwh)	**25,301.4**	24,861.4	2
Fuel (m³)	**226.9**	808.7	(72)
Solar energy (Mwh)	**3,219.3**	1,758.0	83
GHG emissions (tCO_2eqv)	**27,332.7**	25,010.5	9

GRI 305-1/305-2/305-3

Emissions

4,471.6 tCO_2eqv
Category 1 GHG Emissions

13,394.6 tCO_2eqv
Category 2 GHG Emissions

8,186.9 tCO_2eqv
Category 3 GHG Emissions

1,279.5 tCO_2eqv
Category 4 GHG Emissions

3.3 tCO_2eqv
(3 in 2021)
GHG emissions intensity

GRI 305-4

The Bank assesses and discloses Greenhouse Gas (GHG) emissions based on the ISO 140064:1 standard for quantifying and reporting GHG emissions. In 2022, the Bank finalised a comprehensive Carbon Management Plan and put in place new strategies for measurement, mitigation, and management of BoC's carbon footprint.

Material Consumption

Furthering the Bank's impetus toward paperless banking, BoC continued to scale up adoption of process automations. Upgrades to the Document Management System in 2022 continued the trend of reducing paper consumption across the Bank's operations.

Coupled with Bank of Ceylon's strategic emphasis on digitalisation, and increasing customer shift to digital channels, the Bank is well set to continue reducing paper consumption in the years to come.

GRI 306-1/306-3/306-4

Waste Management

21.9 MT
of paper recycled

LKR 547.7 million
funding for waste management projects

GRI 306-1/306-3/306-4

The Bank of Ceylon produces two primary types of waste: used paper and e-waste, as a direct result of its operations. The Bank has a waste management policy in place for management of e-waste and recycling of e-waste and used paper is carried out through registered recyclers. A new waste management policy and comprehensive waste management plan are being drafted, and will ensure the Bank remains committed to promoting waste reduction and responsible waste disposal across its operations.

Way Forward

Bank of Ceylon remains committed to adopting a long-term view towards creating value for all segments of society.

A strong proposition for Sustainable Financing lies at the heart of the Bank's sustainability efforts in the years to come as the Bank's mandate, strategies, and value proposition are closely aligned with the CBSL Sustainable Financing roadmap. With Bank of Ceylon gearing to support Sri Lanka's economic revival, development lending, green financing, and financial inclusion promise to be key value drivers that would have a large impact on the community and environment.

The Bank aims to continue facilitating sustainable socio-economic development in line with its areas of operations, while supporting the government's development efforts. Additionally, the Bank will strategically invest in Corporate Social Responsibility (CSR) initiatives to address significant societal issues and drive positive change in its communities.

BoC will continue to promote environmental sustainability within the Bank, across its value-chain, and in the wider community.

6 Stakeholder Outcomes

Business Partners

Bank of Ceylon's business partners include the financial services value chain, including global partners and local suppliers, and has also grown to encompass a widening Information Communication Technology (IT) ecosystem.

Highlights

602
registered suppliers and service providers

91
of Exchange Houses

LKR 6.4 billion
in payments to local suppliers in 2022

784
of correspondent banks

40
entrepreneurs and small business engaged by the Bank in 2022

95%
payments to local suppliers

Operating Context

The global downturn and supply chain disruptions were exacerbated by Sri Lanka's economic crisis; exerting pressure on supply chains across multiple sectors. The Country's sovereign default and foreign exchange crisis resulted in greater importance being placed on the strength of relationships when dealing with international business partners, correspondent banks, and ratings agencies. At the same time, the continued trend for digitalisation gave impetus to expansion and networking with a larger ecosystem of ICT institutions, including FinTech agencies, and leading technology partners.

Engagement with our business partners

Engagement platforms

- Ongoing written communication
- Regular meetings
- Periodic bidding process
- Quarterly publications on Financial Statements and Annual Reports

What they require

- Transparent, selection and competitive pricing
- Ease of transacting
- Timely payments
- Secure and predictable demand

How we responded

- LKR 6.4 billion in payments to suppliers
- Transparent selection and competitive bidding process
- No payment defaults
- Automation of procurement process

Responsible Procurement

The Bank works with a number of suppliers who deliver goods and services to the Bank and its customers. These include local and international agencies, corporations, and institutions who contribute to the Bank's ability to create value, and in turn are empowered and supported to excel in their relevant industries.

SASB FN-CB-510a.2

The Bank employs a comprehensive whistle-blowing policy and fosters a culture where internal and external stakeholders and partners are empowered to speak up about potential issues and concerns, and encouraged to actively prevent and report corruption, money laundering, fraud and other unethical or illegal transactions. The whistle-blowing policy also upholds the privacy and provides protection and safeguards to parties who raise issues.

GRI 204

As a State-owned entity, Bank of Ceylon follows stringent public procurement practices that are transparent, equitable, and considerate of multiple factors in accordance with national policies and priorities. Further, all procurement of goods and fixed assets undergo a strict vetting process by the Bank to ensure they meet appropriate safety, sustainability, and environment-friendly criteria.

As a key player in the financial services sector, Bank of Ceylon supports suppliers and partners to comply with procurement practices and regulations, and prioritises procurement from local suppliers in order to contribute to the development of the supply chain. The Bank ensures timely payments are carried out, and continues to look for ways of reducing payment times and improving convenience for suppliers and business partners.

Bank of Ceylon recognises that business partners constitute a key element of the Bank's sustainable business model and strategy, and collaborates with them to identify, manage, and mitigate Environmental and Social (E&S) risks. Supplier assessments and audits are an essential and transparent process by which the Bank ensures compliance.

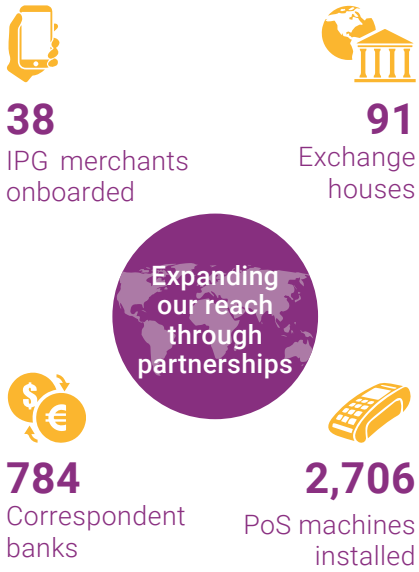
Supplier Audits

The Bank conducts supplier assessments and spot audits to verify adherence to fundamental E&S standards. These audits assess compliance with specific ISO standards, and review suppliers for fair labor practices, energy-efficiency practices, and waste management and recycling practices, among others.

GRI 407/408/409

While the Bank's suppliers were not screened for risk of child labour or forced/compulsory labour, national policies and strong implementation of the same across the supply chain, result in a very low risk profile. Further, there were no instances of loss of freedom of association or collective bargaining recorded during the year.

Expanding Our Reach Through Partnerships



In line with greater digital adoption throughout the Country, the Bank works with an expansive network of local partners to ensure access and optimal service to customers. The Bank partners with merchants from a variety of sectors, providing Internet Payment Gateway (IPG) facilities, Point of Sale (PoS) facilities, and more. In enhancing our value proposition to customers, the Bank also works with a wide network of payment card partners in order to facilitate ease of access for withdrawals and payments across the globe.

A key component of the Bank's reach to underserved segments of society and unbanked customers is the Agent network of BoC Connect. The Bank works closely with the network to ensure a mutually beneficial partnership with the end goal of greater customer convenience and accessibility for customers and communities in Sri Lanka. More details of the Bank's BoC Connect network are available in the Customer section on page 78.

The Bank works with a host of international partners including maintaining correspondent relationships with international banks and financial institutions, and close collaboration with exchange houses. These relationships enable Bank of Ceylon to facilitate connectivity across overseas locations, and supports the Bank's remittance operations, overseas operations, and offshore operations.

The Bank also works closely with international ratings agencies, ensuring the Bank is up-to-date on rating requirements and standards, and complying with disclosure requirements in a transparent manner.

More details of the Bank's relation with international partners is described in the Business Line reviews on page 65.

Awards and Recognition

Bank of Ceylon won a number of awards during the year, in recognition of the Bank's contribution to shared goals, and excellence in innovation and standards of service with partners.

Daraz Payment Partner Performance Award 2022

Best Performing Debit Card Base for 2022 – For the second consecutive year

Asian Digital Finance Forum and Awards

Best People's Banking Service initiative

LankaPay Technovation Awards 2022

Overall Gold Award for excellence in Interbank Digital Payments - Achieving the highest number of awards at the ceremony

Most Popular Digital Payment Product of the year 2021

Best Bank for Retail Payments

Bank of the year for Financial Inclusivity

Best Common ATM enabler of the year – Merit award

Supporting Financial Services and Related Industries

As one of the largest banks in the Country, BoC takes an active part in fostering industry associations and partnerships, seeking out opportunities for collaboration and partnership with credible organisations in order to support industries, sectors, and the Sri Lankan economy. Bank of Ceylon contributes to development of the financial services sector, and is committed to accelerating and deepening the positive impact of corporations and institutions who share these goals.

In 2022, the Bank retained membership with the following institutions:

- Asia Pacific Rural and Agricultural Credit Association (APRACA)
- Association of Banking Sector Risk Professionals, Sri Lanka
- Sri Lanka Banks' Association (Guarantee) Limited
- National Chamber of Commerce, Sri Lanka
- Ceylon Chamber of Commerce
- Green Building Council of Sri Lanka
- Biodiversity Sri Lanka
- The Financial Ombudsman of Sri Lanka (Guarantee) Limited
- Association of Compliance Officers of Banks, Sri Lanka.
- Sri Lanka Law Library

Way Forward

In line with Sri Lanka's economic revival, the Bank remains committed to supporting and engaging with corporations and businesses throughout the local supply chain.

Upholding best practices in procurement, including upholding an ethical business culture that actively avoids potential for corruption, money laundering, fraud or other illegal transactions, remains a key focus area. The Bank will continue to invest in training and raising awareness amongst internal and external stakeholders toward this end.

Digitalisation is a key area of focus for the Bank, and greater adoption within the Bank and by its stakeholders promises to unlock greater reach, improve service standards, and contribute to greater transparency and accountability.

The Bank of Ceylon nurtures strong relationships with its primary regulators, which include the Central Bank of Sri Lanka (CBSL), the Securities and Exchange Commission of Sri Lanka (SEC), and the Colombo Stock Exchange (CSE). The Bank honours directives and works to meet the expectation of regulators in letter and principle.

Highlights

Concessions extended
to affected borrowers

Actions taken to operationalise
Sustainable Financing Direction

Regulatory ratios and buffers
maintained

Supervisory examination
concerns addressed

Operating Context

2022 brought about the realisation of Sri Lanka's most serious economic crisis since Independence; which has had significant impacts on the financial sector. This operating environment necessitated strict regulatory controls to ensure stability of the Country's financial system. The regulator attentively monitored and supervised related developments during this period. A number of directives and regulations were instituted for financial institutions, while the regulator also recommended supportive measures including concessions and moratoria for other crisis-affected sectors of the economy.

Despite the challenging operating environment, Bank of Ceylon maintained proactive and transparent engagement with regulators to ensure compliance with regulations and guidelines and effective management of the Bank's risk profile. During this period, the Bank prioritised stability of the financial services sector and support to customers and other key stakeholders affected by the crises.

Engaging with Our Regulators

Engagement platforms

- Regulatory reporting (ongoing)
- One-to-one meetings (ongoing)
- Discussions through industry forums (ongoing)
- Annual report and other publications (ongoing)

What they require

- Supporting businesses and economic revival
- Maintaining confidence in the financial sector
- Strong governance and risk management practices
- Facilitating financial inclusion

How we responded

- Timely reporting and adequate disclosure
- Full compliance with all regulations/guidelines
- Adhering to mandatory lending requirements to vulnerable segments
- Ongoing support to critically affected sectors
- Maintain integrity and industry harmony

Compliance with New Directives, Regulations, and Guidelines Issued

Bank of Ceylon focused on economic fundamentals and stability of the financial system in 2022. The Bank successfully managed operations with a conservative approach, narrow margins, and stringent controls in place; which ensured there was no breach of ratios or utilisation of buffers. The year closed on an upward trajectory, with additional limits incorporated and capital adequacy ratios in line with benchmarks. Rate benefits and concessions were also extended to borrowers wherever appropriate and within manageable limits.

The Central Bank's Direction No. 13 of 2021 on Classification, Recognition and Measurement of Credit Facilities and Direction No. 14 of 2021 on Classification, Recognition and Measurement of Financial Assets other than Credit Facilities in LCBs; came into effect on the first of January 2022. In light of the challenging operating environment, these directives were designed to strengthen and harmonise the classification, recognition, and measurement of credit facilities and other financial assets.

Compliance with the directives involved strengthening of BoC's governance framework, risk management framework, and internal audit functions with regard to increased oversight, monitoring, and reporting of credit facilities and assets. It also entailed reclassification of facilities and calculation of impairment provisions, which had a significant impact on the Bank's balance sheet during the year.

Further, the Bank of Ceylon worked to meet all other regulatory directives and guidelines issued during the year. Key developments include (but are not limited to):

- Regulatory requirements on liquidity ratios: SLAR, LCR, NSFR met and maintained
- Concessions extended to affected borrowers: Restructuring, rescheduling, grace periods, etc.
- Business revival units operational and mandates defined as per guidelines
- Refinancing and interest subsidy schemes operationalised to priority sectors
- Operationalisation of sustainable financing roadmap continued
- Regulatory reporting requirements upheld
- Forex regulations complied with
- Margin requirements met

Alignment to The CBSL's Roadmap for Sustainable Finance

The Central Bank's Sustainable Finance roadmap outlines plans to develop sustainable financing in the Country, with the aim of better management of Environmental, Social and Governance (ESG) risks, and driving adoption of green, climate-friendly technologies while improving socially and financial inclusivity.

The Community and Environment section from pages 103 to 113 outlines in detail; actions taken by the Bank of Ceylon in operationalising Sustainable Financing according to the CBSL roadmap.

Way Forward

As the extent and depth of Sri Lanka's economic crisis may yet unfold, the Bank will work closely with regulators and all stakeholders to ensure compliance with directives and follow a responsible course that prioritises stability of the financial system.

"CMA Excellence in Integrated Reporting Awards 2021"

- Best Disclosure on Value Creation.
- Best Integrated Report - State Owned Enterprises/ Companies awards.
- "Ten Best Integrated Reports" for the year.

Technovation Awards 2022

- Overall Award-Excellence in Interbank Digital Payments.
- Best Brand for Retail Payments-Gold
- Most Popular Digital Payment Product-Gold (Bapp)
- Bank of the year for Financial Inclusivity category A-Gold

"Daraz Payment Partner Performance Award 2022" – "Best Performing Debit Card Base for 2022".

"Gold award for excellence in State Banks category" at the "TAGS Awards Ceremony 2022" Annual Report Awards organized by The CA Sri Lanka.

Bank of Ceylon named as the No.1 Banking Brand for the 14th Consecutive Year.

Best HR organisation to work for-Global HR Excellence Awards

Best Service Provider in HR-Asian HR Leadership Awards

Top Ten Winner-Best Management Practices Company Awards-CPM Sri Lanka

BoC takes highest rank for a Sri Lankan bank in the Top 1,000 World Banks 2022 listing by the Banker magazine U.K.

Green Building Council of Sri Lanka recognised the Bank of Ceylon with

- "Green Business Leadership of the Year Award 2022 – Bank Section" for the Bank
- "Gold Award" for its Wadduwa Branch.

Best People's Banking Service Initiative-Asian Digital Finance Forum Awards, Global Academy of Finance and Management Coloraco, USA

Best Management Practices; Back to Business in the New Normal 2020 and 2021 Company Award by Institute of Chartered Professional Managers (CPM) at the CPM International Management Conference 2022.

"SLIM-Kantar People's Awards 2022", adjudged the Bank of Ceylon as

- "the Best Service Provider of the year 2022".
- Banking Services Brand of the year

7 Corporate Governance

Chairman's Message on Corporate Governance

Corporate governance is a critical aspect of Bank of Ceylon's operations, and the Bank's governance framework is of paramount importance, in the face of myriad operational and market challenges.

The Bank's stringent systems and processes comply with the protocols required of a state bank, and are in line with regulatory requirements and best practices. They also reflect the Bank's values, and are geared toward meeting the short and long-term strategic goals of the Bank, while upholding the needs of our stakeholders. The governance framework enabled the Bank to function with agility and responsibility in the dynamic and disruptive business environment that Sri Lanka experienced in the last year.

The Bank's Board comprises a team of accomplished professionals. The strategic leadership, stringent oversight, and compliance-based controls exercised by the Board were pivotal in ensuring stability of the Bank during the year.

Compliance

This Report and the Compliance Annexes on page 366 outline the Bank's approach to governance in practice and continued compliance with corporate governance regulations and best practices.

Way Forward

The Board is committed to guiding the Bank of Ceylon on a stable trajectory in the year ahead, ensuring the Bank is true to its ethos, and continues to deliver outstanding value to all stakeholders. As the Bank continues to invest in digitalisation and endeavours to strengthen its digital offering to customers, we welcome the appointment of Professor Kithsiri Liyanage to the Board and the wealth of experience he brings with regard to public administration and the digital sphere.

Additionally, we look forward to working closely with our subsidiaries and associates to leverage synergies and drive growth that will create further value for our diverse stakeholders. In line with global best practices, we also remain dedicated to continuous scale-up of environmental and social screening practices, and supporting Sri Lanka's economy, businesses, and communities as they navigate challenging conditions ahead.

As we steer the Bank through the challenging economic environment ahead, we will continue to invest in strengthening our corporate governance systems and processes. From introducing new committees for monitoring and oversight and instituting new units to better manage our relationships with key customer segments, to strengthening our processes and controls for identifying and mitigating risks, we are taking all necessary steps to ensure the Bank is able to continue delivering long-term value to our stakeholders.

Ronald C Perera PC
Chairman

24 February 2023
Colombo

Governance Outcomes and Highlights in 2022

In 2022, in line with the Country's fiscal and macroeconomic circumstances, Bank of Ceylon and the financial sector faced unprecedented challenges. In this context, the Bank's governance procedures were tested, and were pivotal in allowing the BoC to navigate difficult conditions while providing concerted support to customers and other stakeholders. The Board upheld its supervisory duties by intensifying engagement, reinforcing risk management practices, and proactively monitoring the operating environment.

In response to significant changes to the operating environment and newly introduced internal processes, the Bank reviewed and updated all policies during the year, including a review of the proposals made to amend Bank of Ceylon Ordinance, in consideration of input from the Central Bank of Sri Lanka (CBSL).

In-depth Consultation on Forex and Rupee Liquidity

In light of sovereign default, fluctuating exchange rate, and newly imposed high-interest rate regime, the Board consulted closely on FOREX and rupee liquidity of the Bank. New measures were instituted to manage liquidity by close monitoring and diligent oversight that helped secure Bank of Ceylon's financial position. Special supervisory committees were established to scrutinise foreign currency outflows, revisit and revise counterparty and country limits, manage FCY/LCY liquidity, and closely monitor the Bank's liquidity position.

Risk Management

Alongside continued investment in the Bank's Risk Management operations, a major feature of the Bank's governance involved closer monitoring and oversight through the Risk Committee and the ICAAP Steering Committee; ensuring stress testing was conducted regularly and effectively in line with the Stress Testing Policy, and risk appetite was adhered to in the form of limits and guidelines. The Bank also widened the scope of monitored risks to increase focus on liquidity risk, interest risk, and environmental and social risks. Risk reporting to the Board was strengthened, with special focus on the liquidity and interest rate risk.

Strategic Oversight

The annual strategy workshop was held and short-to-medium term strategic targets and action plans were refined in line with the market conditions. The Board reviewed performance of the Bank against the Corporate Plan.

Environmental and Social Sustainability

Environmental and social screening practices were expanded during the year, to cover all project financing facilities. The Bank's ESMS Policy was reviewed in line with changes to the operating context and global best practices.

Governance Philosophy and Framework

Bank of Ceylon, as an integral part of Sri Lanka's social fabric and financial sector, acknowledges its responsibility to ensure the smooth operation of the Country's banking system while meeting the needs of diverse stakeholders. The Bank's goal of becoming a digitally enabled, future-proof organisation is supported by a sound governance philosophy, which focuses on understanding risks, managing resource allocation, and creating sustainable value.

The Bank's governance framework is in line with regulatory requirements and global best practices, while also addressing the varied needs of stakeholders and balancing short and long-term outcomes, especially as a state-owned Domestic Systemically Important Bank.

Primary Responsibility of Leadership

Setting strategic direction and providing oversight on progress

Establishing robust risk management frameworks

Safeguarding the Bank's reputation

Ensuring compliance with regulations, policies, standards, and procedures

Corporate Governance

Key Elements of the Governance Framework

People

Experience, capacity, and independence of the Board alongside clearly delineated roles and responsibilities.

Purpose

Alignment with the Bank's long-term purpose, corporate values and Code of Ethics.

Processes

The mechanisms and procedures that ensure effective leadership, accountability, transparency, and integrity.

Performance

A continuous assessment and measurement of the effectiveness of Corporate Governance practice.

Regulatory framework

- Bank of Ceylon Ordinance No. 53 of 1938 (referred to as "The Ordinance") and its amendments
- Banking Act No.30 of 1988 and subsequent amendments
- Banking Act Direction No.11 of 2007 on Corporate Governance for Licensed Commercial Banks
- Continuing listing requirements of the Colombo Stock Exchange
- Code of best practice on Corporate Governance issued by CA Sri Lanka in December 2017
- Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021

Internal guidelines and mechanisms

- Board charter
- Subcommittee charters
- Code of business conduct and ethics for Directors
- Comprehensive policies and procedures
- Subsidiary Management charter
- Customer charter
- HR and people management
- Strategic and corporate planning
- Risk management
- IT and Cyber Security Governance
- Code of Ethics for employees

Corporate values

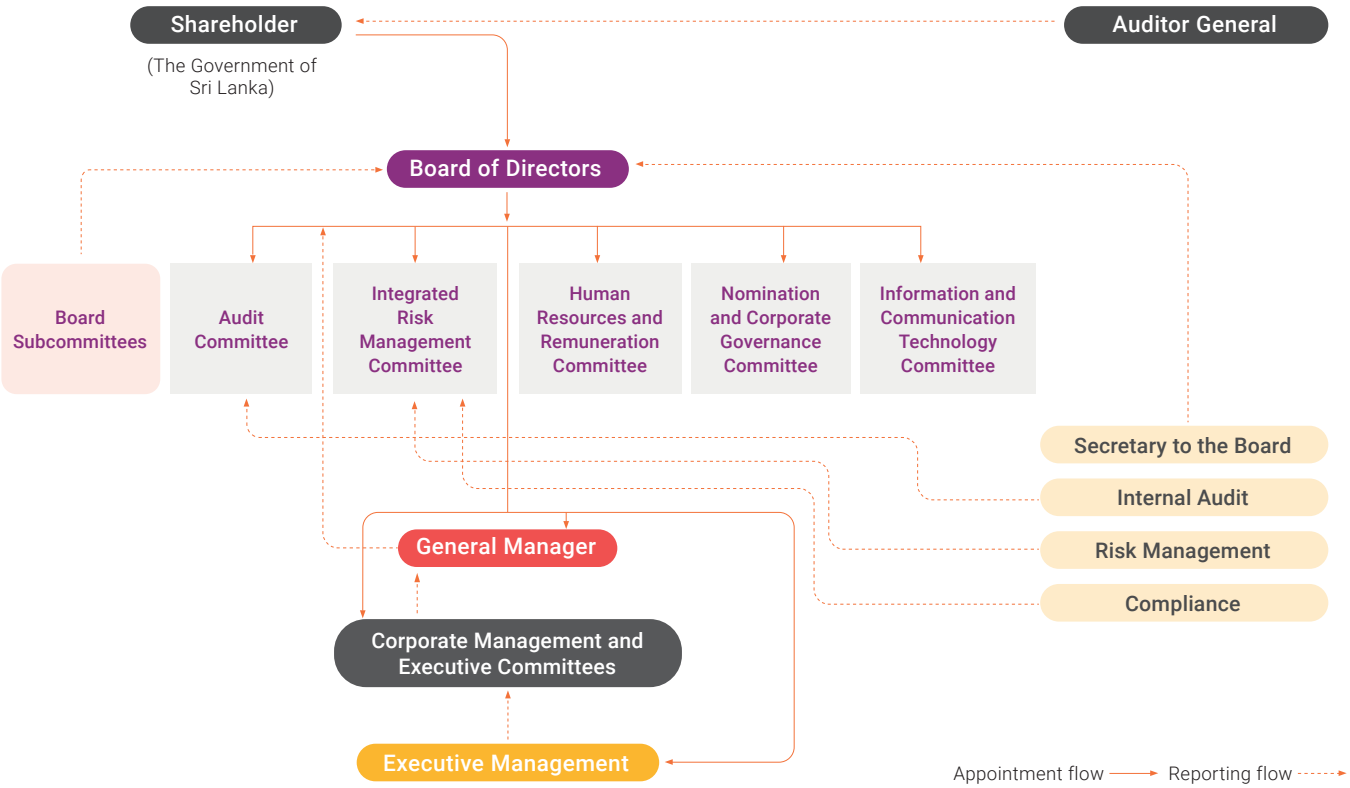
- Customer-centricity
- Respect for diversity
- Commitment to highest level of ethics, governance and professionalism
- Focus on agility and innovation
- Accountability for actions

Stakeholder engagement

- Customers
- Employees
- Shareholder and fund providers
- Community and environment
- Regulators
- Business partners and suppliers

Governance Structure

The Board of Directors is supported by subcommittees that provide oversight on matters delegated to them, including audit, nominations, remuneration, risk management, and information and communication technology, among other areas. This arrangement enables the Board to focus on strategic agenda items. The Chairperson of each committee reports on their respective activities and recommendations during Board meetings, and these are approved by the Board. The day-to-day management of the Bank is delegated to the Management Team, which is led by the General Manager. In addition, the Bank has established several executive-level committees with clearly defined mandates and responsibilities. For more information on the Board subcommittees and executive committees, refer page 125.



Approach to Governance

The Bank's approach to governance is reflected through four key elements of the Bank's corporate governance framework: People, Purpose, Processes, and Performance.

People

The Bank ensures the right people are appointed to the right places, and equipped with the right tools to ensure operationalising of sound corporate governance. In this regard, the following section details the experience, capacity, and measure of independence of the Board, delineation of roles and responsibilities, and processes for board appointment, induction, and director training.

Composition of the Board

The Board of Directors should consist of six Directors but in the year 2022, the Board consisted of four Directors from February 2022. The Directors on the Board however brought a diverse mix of skills, experiences, and expertise. All Directors serve in a Non-Executive capacity, with one of them, an Ex officio position on the Board held by a representative from the Ministry in charge of finance only being non-independent. The composition of the Board is established in the Ordinance, and the relevant Minister responsible for state banks appoints the Directors. The Board remained unchanged throughout the year, ensuring continuity of vision, collective thinking, and approach during a challenging period. Two Directors completed their terms and ceased to be Directors in January 2023. A new Chairman and a Director was appointed and another nomination made is pending the approval of the Central Bank of Sri Lanka.

Quality of the Board

The profiles of the Board are given on pages 27 to 29.

Separation of Roles and Responsibilities

Bank of Ceylon guarantees clarity in roles and effective segregation of responsibilities through the Board Charter, which explicitly outlines the roles and responsibilities of the Board. The Chairman of the Board is a Non-Executive Director and provides leadership to the Board, while the General Manager leads the executive leadership team and does not hold a Board position. This separation ensures clarity in roles and effective decision-making. Additionally, no single Director holds unrestricted power in the decision-making process.

Independence of the Board

Assessment of independence of Directors follows guidelines set forth by the CBSL. As at the end of 2022, three Directors of the four members were considered independent.

Corporate Governance

Board Appointment and Induction

The Minister responsible for state banks appoints Board members, subject to approval from the CBSL in line with criteria for fitness and propriety. Under the new Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, the SEC also approves new Board appointments. Any resignations or removals of Directors are also brought to the attention of the same Minister, while the CBSL and Colombo Stock Exchange (CSE) are kept informed of any changes to the Board.
A Policy of Appointment of Directors is in place as adopted by the Bank and shared with the appointing authority indicating the required skills, experience etc. to the Board.

Board Induction and Director Training

All new Directors receive a tailored induction that focuses on the Bank's governance framework, culture and values, structure, operations, and strategy. There were no changes to the Board induction process in 2022.

- Induction packs include an overview of the Bank, details on the governance framework (such as organisational structures, charters, etc.), regulatory frameworks, and details of the corporate management team and Board support framework, among others.
- A presentation by the General Manager details the Bank's history, business model, organisational structure, business verticals, and support functions.
- Further one-on-one meetings and departmental visits are scheduled as necessary or on request.

The Bank ensures Directors have access to training programmes that equip them with the necessary knowledge to effectively carry out their responsibilities. These programs typically include refreshers on relevant laws and regulations, updates on standards and codes, and emerging trends in the industry.

However in year 2022, Directors did not attend any external training programmes.

The Board remained informed of relevant developments through active engagement with the management team, who were invited to provide input at Board meetings, as well as through the circulation of board papers and other pertinent information via an electronic system. The Policy for Directors' Access to Independent Professional Advice also allows for external expert input at the Bank's expense.

Processes

A core element of the Bank's governance framework are the processes and procedures that promote effective leadership and control, while also fostering accountability, transparency, and integrity.

Policy Framework

The Bank has a comprehensive policy framework in place to ensure uniform treatment of strategic and operational aspects. The framework is regularly reviewed and updated to ensure alignment with changing internal and external factors. The Bank's policies cover various areas, including HR, Risk Management, Governance and Board procedures, digitalisation, investments, and more.

In 2022, apart from a review and update of all existing policies, the Board approved a new policy on remote-working/Work-From-Home (WFH), reflecting changes to the world of work in the post-pandemic era.

Key Policies Introduced/Revised

Risk Management

- Credit Risk Management Policy
- Country Risk Management Policy
- Stress Testing Policy
- Risk Management Policy
- ICAAP Policy (Internal Capital Adequacy Assessment Process)
- Operational Risk Management Policy
- Fraud Risk Management Policy

Managing People

- Training and Development Policy
- Scheme of Recruitment
- Human Resource Policy
- WFH Policy
- Exit-interview Policy

Information Technology

- E–Waste Management Policy
- Information Security Policy

Sustainability

- ESMS Policy
- Governance Policy
- Customer Complaint Handling Policy and Procedures

Board Subcommittees

The Board subcommittees' responsibilities and procedures are outlined in their respective Terms of Reference. Chairpersons of these subcommittees are responsible for ensuring they function effectively and report on their activities to the Board. In the year under review, all subcommittee Terms of Reference were reviewed and updated.

Audit Committee

Reviews the Bank's financial reporting process including internal controls, internal and external audit. Refer pages 130 and 131 for the Report of the Audit Committee.

Information and Communication Technology (ICT) Committee

The committee maintains oversight responsibility for IT products, services, policies, practices and infrastructure. Refer pages 138 and 139 for the Report of the ICT Committee.

Nominations and Corporate Governance Committee

Responsible for implementing procedures to select or appoint Senior Management persons, implement the code of ethics, and improve corporate governance practices. Refer pages 136 and 137 for the Report of the Nominations and Corporate Governance Committee.

Integrated Risk Management Committee (IRMC)

Responsible for risk management including credit, market, operational, liquidity, cyber/IT, strategic, reputational risks, and ESG risk, and ensuring compliance with the risk management policy framework and relevant laws and regulations. Refer pages 132 and 133 for the Report of the IRMC, and pages 140 to 156 for the Bank's Risk Management Report.

Human Resource and Remuneration Committee

Responsible for the Remuneration Policy, setting objectives and evaluating performance of Key Management Personnel (KMP), and determining the Bank's HR policy. Refer pages 134 and 135 for the Report of the HR and Remuneration Committee.

Executive Committees

Bank of Ceylon Executive Committees

Assets and Liabilities Management Committee (ALCO)	Committee dealing with Operational Losses	Damage Assessment and Restoration Committee (DARC)	Committee for Investment in Government Securities
Branches Division Credit Committee	Corporate Information Security Committee	HR Policy Committee	IT Steering Committee
Business Continuity Coordinating Committee	Corporate Management Committee	Idle Assets Committee	Marketing Committee
Business Continuity Implementation Committee	Corporate Strategies Review Committee	Internal Capital Adequacy Assessment Process Steering Committee	Non-Performing Assets Review Committee (NPAC)
Business Continuity Management Alternative Committee (BCMAC)	Credit Committee	Investment Committee	Operational Risk Management Executive Committee
Reward and Recognition Policy Committee (RRPC)	Scholarship Programme Selection Committee (Review Committee)	Scholarships Committee	Sustainability Committee
Steering Committee of tvBoC	Working Committee of tvBoC	Technical and Operational Committee	Foreign currency outflow Management Committee

Corporate Governance

Risk Oversight

The Board is responsible for formulating robust risk management policy and overseeing the Bank's risk management and internal control frameworks. The Integrated Risk Management Committee (IRMC) and Audit Committee assist the Board in fulfilling its risk management and internal control obligations. In light of prevailing economic stresses in 2022, the Board prioritised the Bank's credit risk, liquidity risk, interest risk, and environmental and social risk management functions.

Risk-related Functions

1. Approval of the Bank's risk appetite
2. Regular assessment of principal risks facing the Bank
3. Review of risk appetite dashboards and performance against defined parameters
4. Ensuring mitigation tools are in place to effectively address risks

Board Meetings

The Board held regular meetings during the year, ensuring the continuity of operations despite disruptions to mobility brought on by fuel shortages in the Country. The Company Secretary/ Secretary to the Board ensures all necessary procedures are followed in setting meeting agendas, circulating information, facilitating Board meetings, and recording minutes. Special attention is given to ensuring the Board devotes sufficient time to matters such as strategic planning, risk management, compliance, and governance.

Throughout the year, a total of 24 Board meetings and 41 Board subcommittee meetings were held.

Process for Board Meetings

Scheduling

A calendar is set for Board meetings and subcommittee meetings and notice is given to Directors through an Annual Calendar.

Agenda-setting

The Company Secretary/Secretary to the Board sets the agenda and obtains the approval of the Chairman. Directors are free to submit proposals to the agenda for discussion at Board meetings. Matters arising from internal/external developments may be added to the agenda.

Board paper compilation and circulation

Board papers are prepared and electronically circulated to Directors through a secure portal ensuring sufficient time is given to review matters which are to be discussed and seek additional clarifications if required.

Board meetings

Board meetings have standard items such as performance updates, governance matters, credit and recommendations from subcommittees including risk reports. Members of the management team are invited for Board meetings to provide additional clarifications if/when required.

Post-meeting

The Company Secretary/Secretary to the Board prepares the minutes and circulates among Directors through a secure e-Solution within 10 days of the meeting. Draft minutes are circulated to the Senior Management Team the day following the meeting. Minutes are adopted at the subsequent Board meeting. Follow up action is taken on outstanding matters.

Attendance at Board and Subcommittee Meetings

	Board meeting (24)	Audit Committee meeting (9)	Human Resources and Remuneration Committee meeting (4)	Nomination and Corporate Governance Committee meeting (11)	Integrated Risk Management Committee meeting (8)	ICT Committee meeting (9)
Mr Kanchana Ratwatte Chairman	24/24	–	–	–	–	–
Mr R M Priyantha Rathnayake Ex-Officio Director	24/24	9/9	4/4	10/11	8/8	–
Mr G Harsha Wijayawardhana Non-Executive Director	24/24	9/9	–	7/11	7/8	9/9
Mr A C Manilka Fernando Non-Executive Director[3]	24/24	9/9	4/4	11/11	1/1	9/9
Major General (Rtd) G A Chandrasiri VSV Non-Executive Director[2]	23/24	9/9	4/4	4/4	0/1	2/2
Mr Jayampathy Molligoda Non-Executive Director[1]	2/2	8/9	–	2/2	1/1	1/1

1. Resigned w.e.f 31 January 2022
2. Appointed to ICT Committee w.e.f 5 October 2022, Integrated Risk Management Committee w.e.f. 19 October 2022 and Nomination and Corporate Governance Committee w.e.f. 7 July 2022
3. Attended Integrated Risk Management Committee meeting by invitation

Company Secretary

The Company Secretary/Secretary to the Board plays a key role in the Bank's Corporate Governance framework and ensures that Board procedures comply with applicable laws, rules, and regulations. The Secretary regularly reviews the Bank's governance framework in view of emerging best practices, regulatory changes, and stakeholder interests. All Directors have access to the advice and services of the Company Secretary.

Ms Janaki Senanayake Siriwardane serves as the Secretary to the Board and has been appointed in accordance with the requirements of the Banking Act and relevant amendments.

Purpose

The Bank's governance framework ensures that the conduct of Directors and Management aligns with BoC's long-term purpose, corporate values, and Code of Ethics. In fulfilling their duties, Board members are expected to demonstrate integrity, transparency, and accountability; thereby establishing an ethical standard at the highest level of the Bank. Page 3 outlines Bank of Ceylon's vision, mission, and values, which together provide impetus for the Bank's purpose.

Activities in 2022

1. Focus on multi-stakeholder value creation by balancing stakeholder interests.
2. Creating the right tone at the top, including a culture of integrity and transparency.
3. Strengthening credit risk management practices.
4. Strengthening the governance framework.
5. Approval for the Corporate Plan for 2023-2025 and the Corporate Budget for 2023.
6. Review of research and development work at the Bank.

Further actions taken by the Bank in alignment with the corporate values and overarching strategic objectives are outlined in the Business Line reviews on pages 65 to 77 and the Stakeholder Outcomes on pages 78 to 118.

Value-based Culture

The Board establishes an ethical standard at the highest level and gives impetus to the Bank's efforts to foster a culture of ethics and integrity based on corporate values. This approach emphasises treating customers responsibly and fairly and conducting business with ethics in mind.

The Director's Code of Business Conduct Ethics and Employee Code of Ethics serve as a blueprint for promoting a culture of responsible and ethical behavior, which is supported by the Bank's Whistleblowing Policy and anti-corruption measures.

Corporate Governance

Code of Conduct and Ethics

Directors' Code of Ethics

The Board is bound by the Code of Business Conduct and Ethics and are required to submit an annual confirmation on their compliance with the provisions of the code. The Code aims to propagate a strong culture of integrity, transparency and anti-corruption while encouraging Directors to act in the best interests of the Bank.

Employee Code of Ethics

Applicable to all employees, this clearly sets out the Bank's expectations in dealing with internal and external stakeholders, behaviour, bribery and corruption.

Whistleblowing Policy

A Board-approved Whistleblowing Policy encourages employees or non-employees to report complaints pertaining to suspected theft/fraud, corruption, misuse of the Bank's assets or any other actions that are considered unethical or illegal. Complaints are directed and overseen by the Chief Internal Auditor while complaints made against employees of the DGM grade or above are submitted to the Chairman of the Audit Committee.

Anti-corruption

The Bank takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever the Bank operates and implementing and enforcing effective systems to counter bribery. The Bank's policy with regard to anti-corruption and bribery is clearly communicated to all employees during the induction programmes and reinforced through regular training and awareness sessions.

Responsible Corporate Citizenship

The Board of Directors oversees the Bank's impact and its role as a responsible corporate citizen, as this directly affects the Bank's legitimacy and social license to operate. BoC's approach to sustainability is centered on the belief that "Sustainability is a Lifestyle," with a focus on three key aspects of sustainability: Economic, Environmental, and Social. While the Board provides oversight on all matters related to sustainability, a Sustainability Committee, led by the General Manager, is responsible for implementing the policy.

Read together, the Operating Context outlined on pages 43 to 46, approach to Embedding Sustainability described in detail on pages 55 to 59, and value delivered to stakeholders described in the Stakeholder Outcomes on pages 78 to 118, provide a comprehensive view of Bank of Ceylon's actions as a responsible corporate citizen.

Anti Money-Laundering (AML) and Combating Terrorist Financing (CTF)

Instances of Non-compliance

Date of penalty	Date of payment	Type of penalty	Related regulation/law	Reason for the penalty	Amount LKR
13 October 2022	14 November 2022	Administrative	Paragraph 5 of the United Nations Regulation No. 1 of 2012 and the order published in the Extraordinary Gazette Notification No. 1853/25 dated 22.05.2014 by the competent authorities, Ministry of Defence and Urban Development.	Failure to identify a customer out of all business relationships as per the said regulations	3,000,000.00

During the year under review, other than the above, there were no other monetary losses arising as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations.

Corporate Reporting

The Board bears ultimate responsibility for ensuring the accuracy and integrity of all external reports, which are approved by the Board before release.

- Annual Integrated Report: the primary publication to shareholders, which offers a comprehensive and unbiased overview of how the Bank generates value for its stakeholders.
- Annual Financial Statements: Containing the Group's complete audited annual financial statements and accompanying notes.

Stakeholder Relations

The Bank's Communication Policy serves as a guide for maintaining effective communication with internal and external stakeholders, with the aim of cultivating open and lasting relationships. The policy outlines the Bank's value proposition to each stakeholder. The Bank's performance in this regard is described in detail in the Stakeholder Outcomes section from pages 78 to 118.

Customers: Relevant products delivered through convenient channels, underpinned by trust and stability.

Employees: Opportunities for career and skill development in a rewarding and conducive work environment.

Shareholder and fund providers: Generation of sustainable returns commensurate with risks undertaken

Community and environment: Contribute to national socio-economic development, financial inclusion, and local and global environmental challenges.

Business partners: Create opportunities for mutual growth.

Regulators: Ensure full compliance to relevant regulatory and statutory requirements.

Performance

Bank of Ceylon engages in continuous assessment and measurement of the effectiveness of the Board, its Subcommittees, and the Bank's overall Corporate Governance practice.

Monitoring Board Performance

The Bank utilises a structured self-appraisal mechanism developed in coordination with an external resource in order to assess the effectiveness of the Board. Each Director is obliged to fill out a performance evaluation form, which is then combined and presented to the Board through the Nomination and Corporate Governance Committee. Additionally, subcommittees perform a comparable assessment.

Remuneration Review

As part of building a high-performance team and a culture of excellence, the Bank ensures remuneration is equitable and competitive, but also tied to performance by way of incentives and other measures.

Approach to Remuneration

BoC's Remuneration Policy is designed to provide employees with the necessary resources, recognition, compensation, and motivation that supports their role in advancing the Bank's strategic objectives and creating value for the Bank and its stakeholders. To encourage long-term sustainable performance, the policy emphasizes fairness and competitiveness in the reward package offered.

The Bank's Remuneration Policy follows the principles of Competitiveness, Equity, Transparency, and Inclusivity.

Remuneration Structures

Directors' remuneration is determined in accordance with the Directors' Remuneration Policy, which adheres to circulars and requirements of the Government of Sri Lanka, as well as The Ordinance and its amendments. No Director is involved in setting their own remuneration.

Remuneration of the General Manager (GM) and Key Management Personnel (KMP) is based on the Board-approved Remuneration Policy for Key Management Personnel. The Board Human Resource and Remuneration Committee (HR&RC) makes recommendations to the Board, which provides feedback to the relevant Minister for final approval, as required by The Ordinance and its amendments. Remuneration of the GM and KMP is reviewed every three years.

The Bank's remuneration structure involves the following essential components:

Fixed remuneration: Base salary and other fixed components, determined on role and employee grade

Variable remuneration: Incentive bonus

Other non-cash benefits: Post-employment benefits, loans under special schemes, credit cards, etc.

For details of Directors' remuneration, refer page 208 and page 389 for details of remuneration of KMP. Additionally, the Report of the HR&RC is on page 134.

Appraisal of the General Manager (GM) and Key Management Personnel (KMP)

The Board, assisted by the HR&RC, conducts an annual assessment of the performance of the GM and KMP, against financial and non-financial objectives and performance indicators as established in the Corporate Plan. The criteria for assessment are determined in collaboration with the GM and KMP at the start of the year to ensure a clear understanding of the Board's expectations. The appraisal takes into account the changing nature of the business environment and feedback obtained from the appraisee.

7 Board Subcommittee Reports

Audit Committee Report

Committee composition during 2022

(1) Mr A C Manilka Fernando
Chairman/Independent
Non-Executive Director

(2) Mr G Harsha Wijayawardhana*
Member/Independent
Non-Executive Director

(3) Mr R M Priyantha Rathnayake
Member/Non-Executive Ex officio Director

(4) Major General (Retd.)
G A Chandrasiri VSV
Member/Independent
Non-Executive Director

* Ceased to be a Director w.e.f 13 January 2023

Regular participants

- Chief Internal Auditor
- Chief Risk Officer
- Assistant General Manager (Operational Audit)
- Assistant General Manager (Credit Audit)
- Assistant General Manager (Investigations)
- Assistant General Manager (Information Systems Audit)
- Internal Auditor
- Representative of the Auditor General (the External Auditor of the Bank)

Secretary to the Committee

The Secretary, Bank of Ceylon/ Secretary to the Board who is an Attorney-at-Law and a Deputy General Manager, functions as the Secretary to the Committee.

Attend upon invitation

- General Manager
- Chief Financial Officer
- Deputy General Manager (Finance and Planning)
- Deputy General Manager (Compliance)
- Any other member of Corporate or Executive Management/Any other Staff Member

Meetings held in 2022: 09

(Attendance given on page 127 of this Report)

Quorum: Two members or majority of the members whichever is higher.

Role of Committee

Audit Committee Charter

The Terms of Reference of the Audit Committee are governed by the Audit Committee Charter, approved and adopted by the Board.

The Committee also ensures that the scope and coverage of its functions addresses the requirements of the Banking Act Direction No. 11 of 2007 on "Corporate Governance for Licensed Commercial Banks in Sri Lanka" and its subsequent amendments issued by the Central Bank of Sri Lanka.

Principal Focus

The Audit Committee primarily focuses on assisting the Board in fulfilling its duties by providing an independent and objective review of the Bank's financial reporting process.

Medium of Reporting

The proceedings of the Audit Committee meetings are tabled and ratified at the Board meetings, where all key issues, concerns, actions taken, outcomes achieved or pending, and follow-up initiated, are clarified, discussed and Board approval obtained thereof.

Areas of Focus and Activities in 2022

Financial Reporting

- Reviewed the monthly, quarterly and annual unaudited/audited Financial Statements to ensure that they are prepared and published in accordance with the requirements prescribed by the supervisory and regulatory authorities and applicable Accounting Standards.
- Reviewed the liquidity management, capital adequacy and foreign currency management.

Regulatory Compliance

- Reviewed compliance with mandatory banking and other statutory requirements.
- Reviewed the progress of action taken in relation to the findings of the statutory examinations carried out by regulators.

Internal Controls

- Reviewed the adequacy and effectiveness of the internal control mechanism of the Bank in line with Section 3(8) (ii) (b) of the Banking Act Direction No.11 of 2007 through the Internal Control Matrix.
- On a regular basis and when specific events or cases warranted, conducted root cause analysis and made improvements to the systems, procedures and internal controls.

Internal Audit

- Reviewed the independence, objectivity, and performance of the internal audit function.
- Reviewed and amended the Internal Audit Department organisation structure with a view to achieving the objective of Internal Audit Charter and matching the structure to the present context. Accordingly, recommended to recruit new professional staff.
- Evaluated the quality of the credit portfolio of the Bank and recommended necessary initiatives to improve the credit quality.
- Approved the Internal Audit Plan and reviewed the effectiveness of the implementation of the Plan throughout the year.
- Monitored the progress of the initiatives taken by the Internal Audit Department to improve Internal Control Monitoring Process.
- Monitored the compliance with the Banking Act Direction No. 11 of 2007 on Corporate Governance issued by Central Bank of Sri Lanka on Internal Audit Charter and Audit Committee Charter.
- Monitored the progress of the Internal Audit function of the subsidiaries.
- Special Reviews were done on Expected Credit Loss Models, Cyber Security, Loans granted on Donor Agency Funding.

External Audit

- The external audit of the Bank is carried out by the Auditor General in terms of the Constitution of the country. The Committee ensured that the external audit is carried out effectively and independently and maintained a continuous rapport with the representatives of the Auditor General in relation to the audit approach and procedure.
- Conducted close door meetings with external auditors.

Way Forward

The Audit Committee will foster a positive and effective internal control environment by committing to achieve the objectives set out in the Audit Committee Charter during 2023 and beyond.

On behalf of the Audit Committee.

A C Manilka Fernando
Chairman,
Audit Committee

24 February 2023

Integrated Risk Management Committee Report

Committee composition during 2022

The composition of the committee during the year 2022 was as follows:

(1) Mr R M Priyantha Rathnayake
Chairman/Non-Executive
Ex officio Director

(2) Mr G Harsha Wijayawardhana
Member/Independent
Non-Executive Director

(3) Major General (Rtd)
G A Chandrasiri VSV
Member/Independent
Non-Executive Director –
From 19 October 2022 to date

(4) Mr Jayampathy Molligoda
Member/Independent Non-Executive
Director – From 04 March 2021 till
31 January 2022

(Mr G Harsha Wijayawardhana ceased to be a Director on the Board of Bank of Ceylon w.e.f 13 January 2023.

Mr Ronald Perera, Chairman, Bank of Ceylon was appointed as a member of this Committee w.e.f. 31 January 2023.)

Secretary to the Committee

The Secretary, Bank of Ceylon/ Secretary to the Board who is an Attorney-at-Law and a Deputy General Manager, functions as the Secretary to the Committee.

Regular participants

- General Manager
- Chief Financial Officer
- Deputy General Manager (Compliance)

Meetings held in 2022: 08

(Attendance given on page 127 of this Report)

Quorum: Two members

Attend upon invitation

- Any other members of the Board/ Corporate Management/any other Staff Member

Role of Committee

Integrated Risk Management Committee Charter

The Terms of Reference (TOR) of the Integrated Risk Management Committee are governed by the Committee Charter, approved and adopted by the Board.

The Committee also ensures that the scope and coverage of its functions addresses the requirements of the Banking Act Direction No. 11 of 2007 on "Corporate Governance for Licensed Commercial Banks in Sri Lanka" and its subsequent amendments issued by the Central Bank of Sri Lanka.

Principal Focus

To assist the Board in fulfilling its oversight responsibilities for all aspects of risk management. In this connection the Committee focuses on and reviews credit, market, liquidity, operational, Information Security and strategic risks through appropriate risk indicators and management information.

Medium of Reporting

The proceedings of the Integrated Risk Management Committee meetings are tabled and ratified at the Board meetings and Board approval obtained thereof.

Areas of Focus and Activities in 2022

Liquidity

- Utmost priority was given to managing the liquidity position of the Bank, lengthy deliberations were done on liquidity position reports. Unconventional strategies, special teams and tasks were recommended to ensure that the Bank remain steady in a challenging economic scenario.
- Amidst the dearth in the FCY liquidity in the Bank a rule based system was established to cater to the customers requesting Letters of Credit, a special committee viz. Outflow Management Committee was set up comprising the Chief Risk Officer to govern this task.
- Special emphasis was given to the requests of the SOEs to complete the tasks with national interest. Continuous following up was done through the committee to assess the appropriateness and viability of accommodating the business with them while safeguarding the stability of the Bank.

Asset Quality

Year under review called for special attention on deteriorating credit quality levels given the challenging economic position faced by the country. Deliberations on asset quality were multifaceted. A comprehensive plan to curtail increasing non-performing advances were formulated while monitoring the credit quality through the credit quality units with strict monitoring and regular reporting. Special emphasis on revival of under performing segments and customers were focused with a view to arresting deterioration of credit quality.

Compliance

Assessed the compliance risk issues emphasised in the branch network as well as the divisions and suggested suitable strategies to mitigate the same. Compliance risks of subsidiaries were monitored through frequent reports and suitable strategies were validated to be implemented.

Committee continuously monitored the progress of the implementation of the goAML, which is the regulatory reporting platform required by the regulator.

Recommended the adoption of a comprehensive risk matrix to assess the AML/CFT risk of exchange companies and banks with correspondent relationships.

Comprehensive risk reviews of subsidiaries were done to ascertain its risk profile and necessary recommendations were made to ensure that they remain as per the risk mandate of the Bank.

Internal Capital Adequacy Assessment Process (ICAAP) and Recovery Plan

Reviewed and recommended the ICAAP of the Bank of Ceylon group with a view to maintaining adequate capital levels to accommodate Pillar II risks and withstand any unforeseen but plausible events which were highlighted in the stress testing process of the Bank.

Recommended the first submission of the recovery plan of the Bank prepared according to the regulator's directions with full range of credible recovery options. Subsequent follow ups on alert and trigger events were discussed in detail with remedial actions taken by the management.

ESMS initiatives – Adopted the Bank's Environmental & Social Management System Policy and comprehensive set of guidelines issued to the business units on Environmental & Social risk management process.

Information security/IT Risk – In line with providing a seamless banking experience to the customers disruptions to services on digital platforms were taken as high priority. Risks emanating from information security and IT were deliberated with controls available to mitigate them.

Risk limits – Continuously monitored the exceptions to the Committee approved Risk Appetite of the Bank through risk reports submitted by the Risk Division. The exceptions to the limit management framework established at the Bank were strictly monitored with course of action proposed by the management to validate the suitability of them.

Policies and management level committees – All Policies related to Risk, including foreign branch policies were recommended to the Board with relevant changes either business or regulatory for the approval of the Board. Reviewed and revised the Terms of Reference of all Management Committees dealing with specific risks or some aspects of risk. Effectiveness of all management Committees of the Bank were evaluated against its respective objective to ensure that they remain and carry out its tasks according to the mandate of each committee.

Performance Evaluation

Carried out the performance evaluations of the Chief Risk Officer and Deputy General Manager (Compliance).

Members collectively evaluated the Committee performance.

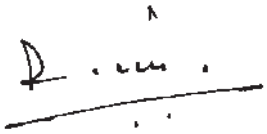
Conclusion

The Committee has a direct and obvious link to good corporate governance. Risk management policies are framed so as to reduce the chances of threats to the going concern by taking informed and calculated risks rather than taking risks for the sake of taking risks.

The Committee is cognisant of the fact that it needs to be vigilant and attuned to its risk combat strategy with the advancement of technology, increased vulnerability with macroeconomic shocks and volatility and industrywide frauds and cyber-crimes beginning to pose greater threats.

Increasing awareness among staff over the need for managing risks, ensuring compliance and training staff are important components of this approach. The Committee is of the view that the Bank is on the right path towards meeting the challenges of risk management and compliance whilst safeguarding the interests of Bank's stakeholders.

On behalf of the
Integrated Risk Management Committee



R M Priyantha Rathnayake
Chairman,
Integrated Risk Management Committee

24 February 2023

Human Resources and Remuneration Committee Report

Committee composition during 2022

The following Directors were members of the Committee during the year 2022:

(1) Mr A C Manilka Fernando
Chairman/Independent Non-Executive Director

(2) Mr R M Priyantha Rathnayake
Member/Non-Executive Ex officio Director

(3) Major General (Retd.) G A Chandrasiri VSV
Member/Independent Non-Executive Director

Secretary to the Committee

The Secretary, Bank of Ceylon/ Secretary to the Board who is an Attorney-at-Law and a Deputy General Manager, functions as the Secretary to the Committee.

Attend upon invitation

- General Manager
- Deputy General Manager (Human Resources)
- Any other member of Corporate or Executive Management

Meetings held in 2022: 04

(Attendance given on page 127 of this Report)

Quorum: Two members

Role of Committee

Terms of Reference of the Committee

The main responsibilities of the Committee, which are mainly based on the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka issued by the Central Bank of Sri Lanka and incorporated into the Committee Charter, are as follows:

- Determining the Remuneration Policy (salaries, allowances and other financial payments) relating to Key Management Personnel (KMP) of the Bank.
- Setting goals and targets for the General Manager (GM) and KMP.
- Evaluating the performance of the GM and KMP against the set targets and goals periodically and determining the basis for revising remuneration, benefits and other payments of performance based incentives.
- Reviewing staff in matters referred to it by the Board.
- Determining the Human Resource Policy and Organisation Structure of the Bank.

Principal Focus

This Committee focuses on assisting the Board in the Human Resource matters primarily on the evaluation of the KMP.

Medium of Reporting

The proceedings of the Committee meetings are tabled and ratified at Board meetings and approval of the Board is thus obtained for implementation of the recommendations made by the Committee.

Areas of Focus and Activities in 2022

Remuneration of Directors

According to the aforesaid Banking Act Direction No. 11 of 2007, this Committee has to determine the Remuneration Policy relating to the Chairman and Directors. However, in the case of Bank of Ceylon, the remuneration of Directors is determined in accordance with the circulars and instructions issued by the Government of Sri Lanka, the sole shareholder of the Bank. The provisions in the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments, are also taken into consideration in this regard. The Bank has a Remuneration Policy in place, prepared based on the above, which is reviewed as and when new regulations are issued by the Government or periodically. This was reviewed in 2022. The details of the remuneration given to Directors, are disclosed in the Annual Report on a yearly basis.

Remuneration of KMP

The remuneration of employees is revised once in three years, with the approval of the Ministry, whose purview the Bank comes under as per the provisions of the Bank of Ceylon Ordinance.

No salary revision was done in 2022 and accordingly the Committee did not deliberate on remuneration of KMP in 2022.

Goals and Targets

The Committee reviewed and recommended the Key Performance Indicators (KPI) of the members of the Corporate Management and the General Manager for the year 2022.

Performance Evaluation

The Committee evaluated the performance appraisals made of the Key Management Personnel (KMP) including the General Manager (other than the Deputy General Manager (Compliance), Chief Risk Officer and Chief Internal Auditor whose evaluations were placed before the respective subcommittees) for the year ended 2022 based on the targets set at the commencement of the year in line with the Corporate Plan.

Development of Employees

Followed up on the action plan to develop the employees with required skills, knowledge and attitudes.

Organisation Structure

Considered and recommended a new organisation structure for the Bank as part of the gradual move towards an ideal structure.

Policies/Charters Reviewed

Recommended adoption of the following Policies/Charter:

- Reviewed Human Resource and Remuneration Committee Charter.
- Revised Disciplinary Code of the Bank.
- Revised Code of Ethics of the Bank.
- Revised policy on awarding marks for commendations and deduction of marks for adverse comments/ punishments for promotion to the grade of Deputy General Manager and Assistant General Manager.
- Revised policy on maternity leave taken by trainee/probationer during the training/probationary period.

Way Forward

The members of the Committee collectively evaluated the performance of the Committee and submitted to the Board.

The Committee will continue to encourage the use of best practices in Human Resource in the Bank to promote the long-term success of the Bank.

On behalf of the Human Resources and Remuneration Committee.

A C Manilka Fernando
Chairman,
Human Resources and Remuneration Committee

24 February 2023

Nomination and Corporate Governance Committee Report

Committee composition during 2022

The following Directors were members of the Committee during the year 2022:

(1) Mr A C Manilka Fernando
Chairman/Independent Non-Executive Director
(Chairman from 01 February 2022 – Prior to that, was a member)

(2) Mr R M Priyantha Rathnayake
Member/Non-Executive Ex officio Director

(3) Mr G Harsha Wijayawardhana
Member/Independent Non-Executive Director

From 07 July 2022

(1) Major General (Retd.) G A Chandrasiri VSV
Chairman/Independent Non-Executive Director

(2) Mr A C Manilka Fernando
Member/Independent Non-Executive Director

(3) Mr R M Priyantha Rathnayake
Member/Non-Executive Ex officio Director

(4) Mr G Harsha Wijayawardhana
Member/Independent Non-Executive Director (ceased to be a Director on the Board of Bank of Ceylon w.e.f. 13 January 2023)

Mr Jayampatty Molligoda who was on the Board of the Bank till 31 January 2022, held the Chairmanship of this committee till that date.

Secretary to the Committee

The Secretary, Bank of Ceylon/ Secretary to the Board who is an Attorney-at-Law and a Deputy General Manager, functions as the Secretary to the Committee.

Attend upon invitation

- General Manager
- Any other member of the management as decided by the Committee

Meetings held in 2022: 11

(Attendance given on page 127 of this Report)

Quorum: Two members

Role of Committee

Nomination and Corporate Governance Committee Charter

The Terms of Reference of the Nomination and Corporate Governance Committee are governed by the Committee Charter, approved and adopted by the Board.

The Committee also ensures that the scope and coverage of its functions addresses the requirements of the Banking Act Direction No. 11 of 2007 on "Corporate Governance for Licensed Commercial Banks in Sri Lanka" and its subsequent amendments issued by the Central Bank of Sri Lanka and that of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

Principal Focus

The Nomination and Corporate Governance Committee assists the Board in ensuring compliance with Corporate Governance principles as required by regulations or otherwise in addition to assisting the Board with regard to the appointment of the Chief Executive Officer/General Manager and the Key Management Personnel (KMP).

Medium of Reporting

The proceedings of the Nomination and Corporate Governance Committee meetings are tabled and ratified at the Board meetings and Board approval obtained thereof.

Areas of Focus and Activities in 2022

Policy on Appointment of Directors

As provided in the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments the Bank being fully State owned, the Minister under whose purview the Bank falls appoints Directors to the Board of Bank of Ceylon. This Committee accordingly has no direct role in connection with the appointment of Directors. However, an internal Policy on Appointment of Directors to the Board is in place in the Bank based on a recommendation of this Committee specifying the criteria required for appointment as a Director of the Bank, which is shared with the appointing authority to assist in identifying the skill set needed for a Director of the Bank.

- Reviewed the Policy on Appointment of Directors to the subsidiaries of Bank of Ceylon.

Corporate Governance

- Corporate Governance Policy which is in place was reviewed together with the following incorporated therein:
  - The Communication Policy.
  - The Policy on Directors' Access to Independent Professional Advice.
  - The Charter of the Nomination and Corporate Governance Committee.
  - Policy on Appointment of Directors to Board of Bank of Ceylon.
  - Board Charter
  - Board subcommittee Charters
  - Remuneration Policy for the Chairman and Board of Directors
  - Code of Business Conduct and Ethics for Directors
  - Policy on Conflict of Interest on Directors
  - Subsidiaries Management Charter
  - Policy on Appointment of Directors to the Boards of Subsidiaries
  - Whistle Blowing Policy
  - Criteria for selection of General Manager of Bank of Ceylon
- Ensured the compliance with the applicable Corporate Governance regulations.
- Recommended the Board Evaluation Report for the year 2022.

Fitness and Property

- Ensured that the KMP are fit and proper persons to hold their offices when officers were promoted or appointed as KMP.

Succession Arrangements

- Recommended the revised succession Plan which is an integral part of talent development. The talent pipeline for all Key Management roles prepared identifying the emergency cover, medium term (1-3 years) and longer term (3-5 years) were reviewed. The Committee took action to identify the successor to General Manager/CEO.
- Followed up on the succession planning process for the grades below KMP using artificial intelligence (AI Tools).
- Reviewed and recommended the Man Power Plan of Bank for year 2022.
- Assessed the training needs with a view to leadership development of KMP.
- Reviewed and recommended the introduction of new designations for KMP and the movement of the KMP as recommended by the Management.
- Introduced criteria for selecting a Senior Deputy General Manager.

Way Forward

The Committee will strive to promote best practices in Corporate Governance in the Bank, focusing in particular on the implementation of the Directions issued by the Regulators.

Conclusion

The Committee reviewed the efficiency of its work through the annual evaluation that was carried out collectively. The Committee will continue to add value to the Board's responsibilities through the functions of this Committee.

On behalf of the Nomination and Corporate Governance Committee

Major General (Rtd.)
G A Chandrasiri VSV
Chairman,
Nomination and Corporate Governance Committee

24 February 2023

Information and Communication Technology Committee Report

Committee composition during 2022

The following Directors were members of the Committee during the year 2022:

(1) Mr G Harsha Wijayawardhana
Chairman/Independent Non-Executive Director (Ceased to be a Director w.e.f.13 January 2023)

(2) Mr A C Manilka Fernando
Member/Independent Non-Executive Director

(3) Mr Jayampathy Molligoda[1]
Member/Independent Non-Executive Director (Resigned w.e.f. 31 January 2022)

Currently the Committee comprises of the following members:

(1) Mr R M Priyantha Rathnayake
Chairman/Non-Executive Ex officio Director

(2) Mr A C Manilka Fernando
Member/Independent Non-Executive Director

(3) Major General (Rtd) G A Chandrasiri VSV
Member/Independent Non-Executive Director

Secretary to the Committee

The Secretary, Bank of Ceylon/ Secretary to the Board who is an Attorney-at-Law and a Deputy General Manager, functions as the Secretary to the Committee.

Meetings held in 2022: 09

(Attendance given on page 127 of this Report)

Quorum: Two members

Regular participants

- General Manager
- Head of IT
- Deputy General Manager (Product and Banking Development)
- Chief Risk Officer

Attend upon invitation

- Assistant General Managers attached to IT Division
- Assistant General Manager (Product Development and Business Process Re-Engineering Project)
- Any other member of the Board, the Corporate Management and Staff Member as decided by the Committee

Role of Committee

Information and Communication Technology (ICT) Committee Charter

The Terms of Reference of the ICT Committee are governed by the ICT Committee Charter, approved and adopted by the Board.

Principal Focus

The primary purpose of this Committee is to assist the Board of the Bank in fulfilling their oversight responsibilities with regard to the existence, operation and effectiveness of the IT products and services, policies, practices and IT infrastructure employed by the Bank to manage various types of IT products and services including major technology investments. It ensures that the Bank has a robust IT infrastructure and capabilities in place at all times, follows best practice and maintains alignment with Bank's Corporate Plan by analysing emerging trends in technology.

Medium of Reporting

The proceedings of the ICT Committee meetings are tabled and ratified at the Board meetings and Board approval obtained thereof.

Areas of Focus and Activities in 2022

Monitoring Development

- Monitored the ongoing IT developments/IT infrastructure enhancements in the Bank including that of overseas branches in Maldives, Chennai and Seychelles and guided on the proposed developments/ improvements.
- Monitored the operations of the existing critical applications of the Bank and provided necessary guidance to rectify and resolve existing issues.
- Monitored the progress of the proposed digital banking solution (Internet and Mobile banking system (B-APP) for the Bank.
- Reviewed the revamping of Corporate Website of the Bank.
- Discussed the Bank's digital initiatives embedded in the Corporate Plan.
- Initiated the digital signature platform for the Bank.
- Reviewed the proposed bio metric-based payment solution.

Resources – Human

- Assisted to fulfill the required HR for IT Division.
- Followed up on the recruitment process of a new Chief Information Officer (CIO)

Policies

- Recommended the following
  - Information Security Policy of Maldives Branch.
  - Cyber Security Policy of Maldives Branch.
  - Information Security Policy of Seychelles Branch.
  - Reviewed the Committee Charter.

Way Forward

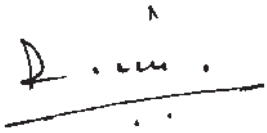
The Committee will endeavor to ensure that the Bank's technology programmes support the Bank's business objectives and strategies and provide the appropriate data security.

Conclusion

The members of the Information and Communication Technology Committee have evaluated the Committee's performance during the year 2022 for effectiveness and efficiency.

The Committee wishes to record an appreciation for Mr G Harsha Wijayawardhana, who was the Chairman of the Committee during the year 2022, for the great contribution made by him to this Committee.

On behalf of the Information and Communication Technology Committee



R M Priyantha Rathnayake
Chairman,
Information and Communication Technology Committee

24 February 2023

7 Risk Management

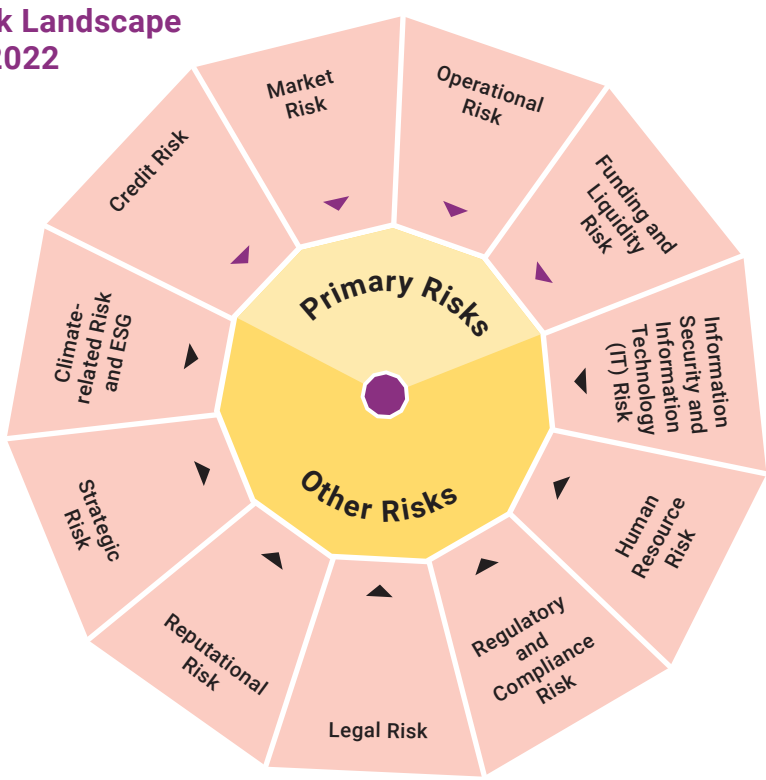
Amidst continued geopolitical upheaval in the international arena and multiple crises at national level, Sri Lanka faced severely challenging economic conditions in 2022. In response to heightened fiscal, external sector, and financial sector imbalances; supporting the Sri Lanka's financial system was the priority of the Bank, honouring its unique role as a state bank and its influential position as the largest bank in the country's financial sector.

A deteriorating operating environment posed significant uncertainty for Sri Lanka's economic outlook and resulted in realisation of several risks for the Bank. While some impacts of COVID-19 continued in 2022, major challenges came from new areas. Primary amongst these was the steady increase in interest rates, which had sweeping impacts on the sector. Floating of the exchange rate in the first quarter of 2022 resulted in significant knock-on effects and challenges during the year, including significant issues with regard to liquidity and foreign exchange availability. The regulator continued to aggressively monitor and supervise related developments.

In this environment, Bank of Ceylon's role in supporting and stabilising the country's economic fundamentals and financial system was of paramount importance. The Bank was successful in managing this difficult period without either breach of regulatory ratios or drawdown of buffers that were allowed by the regulator. The year closed on an upward trajectory, with additional limits incorporated, capital adequacy ratios in line with benchmarks, and previously delayed or deferred payments settled.

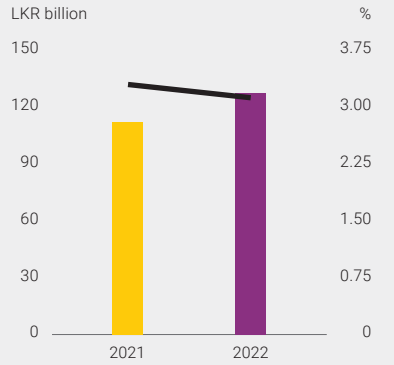
The following sections discuss the pivotal role played by Bank of Ceylon's Risk Management function in responding to the challenging operating environment, upholding the Bank's national responsibility, and exercising best practices in Risk Management to ensure resilience and stability.

Risk Landscape in 2022

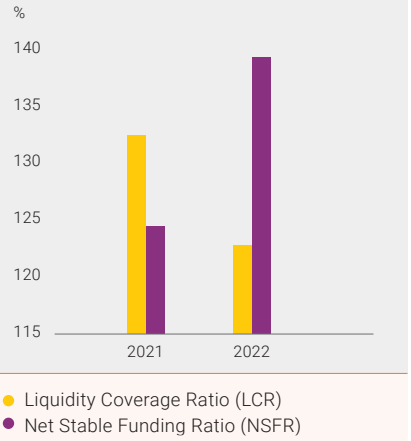


Key Performance Highlights

Net Interest Income Net Interest Margin



Liquidity



Capital Adequacy Ratio

External Operating Environment		Risk Factor	Bank of Ceylon's Response
Global geopolitical turmoil and Sri Lanka's economic and sociopolitical crises set the stage for an unstable and highly stressed economic environment.	State of the economy	**Liquidity risk** **Foreign currency (FCY)/ Local currency (LCY)**	In addition to the Asset and Liability Management Committee (ALCO), the Bank instituted new means to manage liquidity by close monitoring and diligent oversight that helped secure Bank of Ceylon's financial position. A special committee was established to scrutinise foreign currency outflows, while revisiting and revising counterparty and country limits
Downgrade of Sri Lanka's Sovereign Rating during 2022 resulted in a cascade downgrade of the Bank's rating as well. Economic crisis and socio political instability had an adverse impact on employee turnover across many sectors including financial industry.	State of the economy	**Extended moratoria** **Managing credit growth** **Deteriorating asset quality and rising impairment provisions**	In addition to debt moratoria, restructuring and rescheduling of facilities was extended to impacted industries and sectors to support their survival and revival. In response to continued high volatility in the business and economic environment, the Bank extended strategic support to customers. As a state bank tasked with supporting the economy, the Bank's focus in 2022 was on revival and rehabilitation of businesses, while prudently making impairment provisions.
Significant currency devaluation during the year further weakened the Sri Lankan rupee.	State of the economy	**Restrictions in capital and recurrent expenditure**	An Expenditure Management and Business Sustainability Executive Committee was established to monitor and manage related expenses without compromising performance and service quality.
	State of the economy	**Employee turnover**	Bank of Ceylon arrested the situation by realigning existing staff accordingly, whilst sourcing new recruits for critical operations. Despite human resource challenges during the year, business continuity was given utmost priority by the Bank and no disruptions were reported.
In response to multiple crises, the Government enforced more stringent policies, imposed restrictions on imports and, tightened monetary policy.	Regulatory developments	**Interest rate risk**	The Bank increased the lending rates, including State Owned Enterprises (SOEs) to improve the Net Interest Income, Bank analysed the impact of finance cost, mismatch of assets and liabilities, yield curve risk, impact of high interest rate bearing products, forecasted Net Interest Income in taking decisions on mitigating interest rate risk.
Regulatory controls and stressed conditions necessitated restrictions in capital expenditure.	Regulatory developments	**Restraints on capital**	The Bank managed operations with narrow margins amidst capital constraints. The Bank responded to the stressed conditions that emerged from regulatory minimum ratios via internal capital generation and debenture issues.

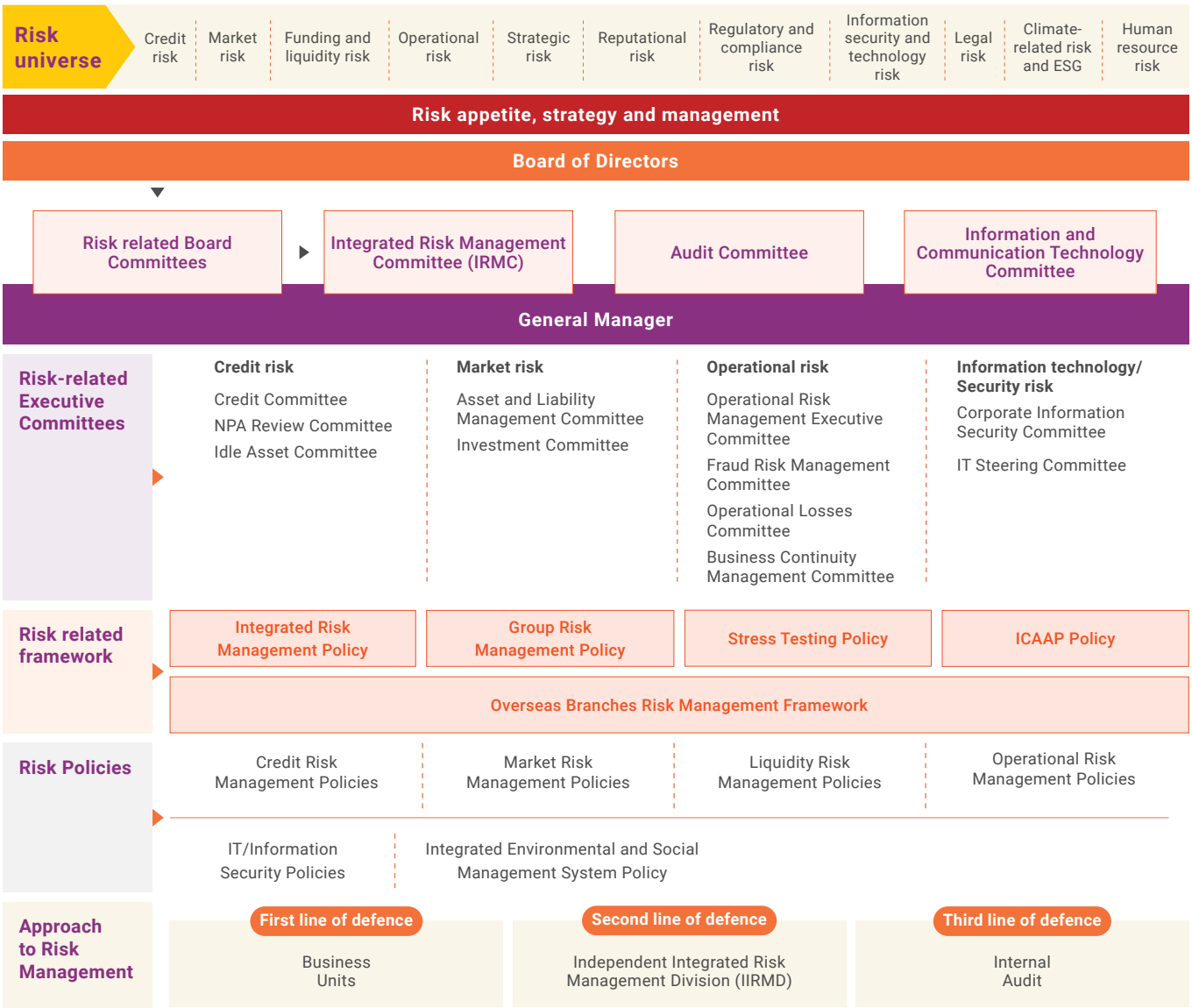
Risk Management

Enterprise Risk Management (ERM) Framework

The Board approved risk management framework consists of clearly defined governance structures, policy frameworks and a culture of risk awareness which ensures judicious empowerment and the consistent management of risks across the Bank.

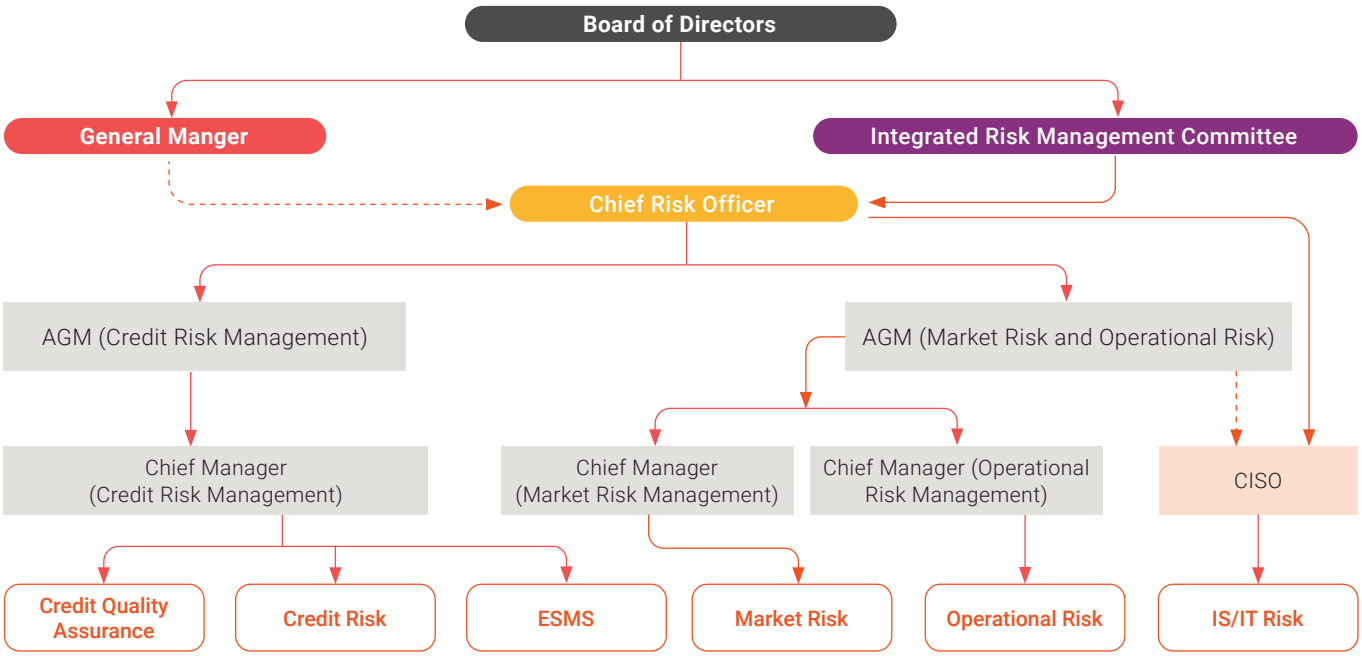
The framework provides comprehensive guidelines to identify, measure, mitigate, and report risks in a consistent manner and is regularly reviewed and revised to ensure that it remains relevant given the increasingly dynamic operating environment.

In response to significant changes to the operating environment and newly introduced internal processes, the Bank reviewed and updated all policies in 2022. Considering the complexity of the stressed operating environment, the Bank has widened the scope of monitored risks to increase focus on liquidity, interest rate, and environmental and social risks.



Risk Governance

The Board of Directors of the Bank has the overall responsibility for the establishment and oversight of the Risk Management Framework.



Integrated Risk Management Committee (IRMC)

IRMC comprises four members of which three are independent non-executive directors.

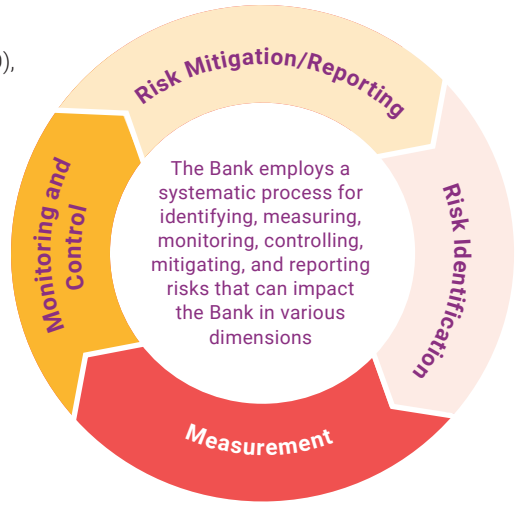
Mandate

- Assist the Board in discharging its oversight responsibilities for risk management.
- Ensure that appropriate policies and procedures are in place for detection, oversight and analysis of existing and future risks.
- Ensure the Bank's risk management activities are aligned with the Bank's risk appetite.
- Assess all risks to the Bank on a periodic basis through appropriate risk indicators and management information.
- Provide strategic guidance on various initiatives undertaken by the Bank towards management and mitigation of credit, market, operational and information security risks of the Bank.
- Review the Bank's capital position and future requirements in line with the Internal Capital Adequacy Assessment Process (ICAAP) while identifying and mitigating potential pain points highlighted in stress testing.
- Review the Bank's Business Continuity Plan.
- Re-enforce the culture and awareness of risk management throughout the organisation.

Independent Integrated Risk Management Division (IIRMD)

Headed by the Chief Risk Officer (CRO), the Division operates independently. Some structural changes were made to the Division in 2022; a new Executive Management position to strengthen the Division's focus on operational and market risk management as depicted in risk management framework. The Division ensures that the risk management process is carried out effectively.

Risk Management Process



Risk Management

Risk Profile

Risk category	Key risk indicator	Regulatory requirement/ policy parameter	Actual position 31.12.2022	Actual position 31.12.2021
Credit risk Asset quality	Net Stage 3 loans ratio (%)	–	**5.27**	5.08
	Impairment Coverage (Stage 3) loans ratio (%)	–	**59.73**	49.07
Concentration and exposure	Sector-wise concentration (HHI)	–	**999**	999
	Geographical concentration	–	**2,062**	1,305
Market risk	Net interest income (NII) (LKR billion)	–	**126.35**	111.25
	Net interest margin (NIM) (%)	–	**3.10**	3.28
	Price Value per Basis Point (PVBP) of Treasury Bonds (LKR '000)	–	**75,767**	869,969
Liquidity risk	Liquid asset ratio (LCY) (%)	20	**21.22**	24.97
	Liquid asset ratio (FCY) (%)	20	**32.79**	25.34
	Liquidity coverage ratio (LCR) (%)	100	**122.77**	111.45
	Net stable funding ratio (NSFR) (%)	100	**139.00**	124.31
	Credit-Deposit (CD) ratio (%)	–	**77.58**	89.88
Strategic risk	Tier 1 capital ratio (%)	10.00	**12.41**	14.25
	Total capital ratio (%)	14.00	**15.38**	17.77
	Common equity Tier 1 ratio (%)	8.50	**11.34**	12.91
	RoE (%)	–	**14.06**	21.03
Operational risk	Operational loss as a percentage of risk appetite (%)	–	**82**	63

Three Lines of Defence Model

Line of Defence
Risk taking and ownership by business units

Proactive identification, assessment and measuring of risks. The First Line also manage day-to-day transactions and portfolio level risks within the limits specified by the risk appetite framework, related policies and guidelines.

Line of Defence
Risk management, control and oversight by the IIRMD

Development and execution of the risk management framework while setting the risk appetite and establishing the risk culture throughout the organisation.

Providing guidance and support to the First Line of Defence and the management on risk-related activities.

Line of Defence
Assurance by internal audit

Provides independent and objective assurance to the Board on the effectiveness and adequacy of risk management and internal controls.

The Bank's Approach to Risk Management

Bank of Ceylon's risk management function centres around an Enterprise Risk Management (ERM) framework that ensures risks are managed within a framework aligned to the Bank's strategic priorities, organisational culture and corporate governance practices.

From clearly delineated roles and responsibilities, to well-defined policies, procedures, and processes; the Bank's ERM framework supports consistent identification and management of risks across business units, functions, and operations.

In 2022, the Bank brought forward new systems, processes, and protocols in response to the changing and challenging operating environment. Focus was placed on Information Security Risk Management in light of continued digitalisation and adoption of new systems instituted in response to the COVID-19 pandemic such as remote work and work from home initiatives.

The Bank instituted a number of changes to its risk management function in 2022, primarily in response to the state of Sri Lankan economy and the financial sector:

Looking to the future, Bank of Ceylon expects to strengthen baseline security alongside stringent Information Security Risk Management to manage continued technology enhancement and updates to banking systems and processes.

Further, plans are underway to continue progressing the Bank's Environmental and Social Management System ensuring it is in line with international best practices, related legal provisions of the country, and the Central Bank of Sri Lanka (CBSL) Sustainable Finance Initiative. Major milestones in this regard involve introduction of counterparty Environmental and Social (E&S) risk assessments and rollout of awareness and training of staff related to the Bank's ESMS.

The Bank retains the focus on strengthening risk management processes for Information Security and Information Technology (IT) Risk, and is in the process of obtaining ISO 27001 for Information Technology Service Management.

The Bank's risk management function will be further strengthened to ensure alignment with the direction of Sri Lanka's economy and the financial sector.

Risk Culture

Bank of Ceylon fosters an enterprise-wide risk culture with the primary goal of supporting the Bank's business units and functions, which serve as a First Line of Defence, to better identify, discuss, escalate, and mitigate emerging risks.

Strong emphasis on organisational and market intelligence go hand-in-hand with internal controls, the Bank Code of Ethics and comprehensive policy framework. Continuous training programmes in the subject areas including strong credit culture, E&S risk management, information security, market and operational risk management conducted in order to strengthen bank wide risk management culture. These serve to reinforce the Bank's "Three Lines of Defence"' model, which in turn contributes to sustainability of the Bank and creation of value for stakeholders in the short, medium, and long-term.

Risk Appetite

The Bank's risk appetite is defined as the level of risk the Bank is prepared to assume within its risk capacity to achieve its strategic objectives. It is articulated quantitatively as risk measures and qualitatively in terms of policies and controls. In addition to defined limits on risk exposures, the risk appetite statement includes risk appetite triggers and defines specific corrective action to be taken in the event that such limits are exceeded/triggered. It is reviewed annually, considering the volatilities in following factors:

- Capital base
- Macroeconomic changes (New technology and environmental changes, GDP, economic sectors, regulatory/policy changes)
- Country and counterparty risk
- Expected business growth
- Corporate plan

In response to shifts in the above-mentioned factors during 2022, the Bank introduced revised limits for certain sectors.

Stress Testing

Routine stress testing evaluates potential risk effects on the Bank's business and assesses sensitivity of the Bank's current and potential risk profile relative to risk appetite. The Bank's stress testing framework utilises a combination of techniques including macroeconomic and business model stress testing along with sensitivity and scenario analysis.

Stress testing also contributes to increased risk awareness across the Bank's functions and works to safeguard business continuity by means of proactive management. It assists the Bank in setting up of risk appetite and tolerance limits, risk identification and control, complements other risk management tools, development of contingency plans, improves capital and liquidity planning and facilitates strategic business decision-making.

Risk Management

The stress testing policy framework covers all the material risks such as credit, market, operational, concentration, liquidity, foreign exchange and interest rate under three different stress levels; Mild, Moderate and Severe. Resulting impact on the profitability, liquidity and capital is evaluated and reported to the top management and IRMC on a quarterly basis and more frequently as and when required for effective decision making. The stress testing also provides a broader view to supervisors and regulators on the resilience of the Bank in plausible stress scenarios.

Considering the current operating environment and prevailing market conditions in 2022, the Bank improved stress testing by increasing frequency of analysis and including a range of differing scenarios, giving special emphasis on liquidity and interest rate risks. The Bank proactively and comprehensively evaluated the impact of possible debt restructuring (haircut on investment securities, both domestic and foreign), impact of interest rate hike to Bank's NIM and possibility of restrictions on CBSL repo window (which later became a reality) amongst the full range of stress testing scenarios. The resultant impact of such analysis comfort the Bank's decision making process, providing the foresight which enabled revisiting and revising of pricing mechanism, adequate impairment provisioning for potential risk and searching for alternative funding avenues.

Capital Management and Internal Capital Adequacy Assessment Process (ICAAP)

As a state bank, BoC is limited in its ability to access the equity market for capital and must rely primarily on internal profit generation and government infusions in enhancing capital.

The Bank managed its available capital optimally amidst the restraints in fresh capital infusion by the Government due to economic exertion in 2022 and was able to strengthen the capital position by raising LKR 6.49 billion via Basel III compliant, subordinated, Tier II debentures.

The Bank's capital position during the year improved by LKR 22 billion to LKR 264 billion as a result of these initiatives.

Capital adequacy	December 2022 %	December 2021 %
Tier I	**12.41**	14.25
Total	**15.38**	17.77

Aligned with the Pillar II requirements, ICAAP enables robust management of the Bank's capital structure, through aligning capital requirements to its risk profile, thereby ensuring that adequate capital is maintained to deliver its strategic agenda. In addition to the credit, market and operational risks the Bank's ICAAP takes into consideration concentration, liquidity, interest rate risk in the banking book, reputational, compliance, strategic and information security risks. The Internal Capital Adequacy Assessment Process and Recovery Plan (ICAAP and RCP) Steering Committee which is headed by the General Manager is responsible for assessing and managing these material risks.

Stress testing is an important element of Pillar II (Supervisory Review) and showcases the sensitivity of the Bank's risk profile to a range of variables. The Board of Directors is responsible for ensuring that stress testing is conducted regularly and effectively in line with the Board-approved Stress Testing Policy supported by reviews of the ICAAP Steering Committee.

Recovery Plan (RCP)

The Recovery plan sets out the framework for Bank's governance, identification of credible options to survive a range of severe but plausible stress scenarios, triggers and sets out the plan for liquidity and capital management arrangements while improving the risk profile and ensuring the business continuity.

The Bank's RCP is integrated with the Bank's

- Strategic, Risk management and business decision making processes
- Capital and funding planning, stress testing approaches and business continuity planning
- Capital and Liquidity assessments
- Risk data aggregation and risk reporting

Under RCP, triggers and early warning indicators are set based on the capital, liquidity, profitability, asset quality and Market & macroeconomic indicators. A range of recovery options are predetermined to deal with shocks to capital, liquidity and all other aspects that could arise from institution specific stresses, market wide stresses or a combination of both. The Bank submitted its first Recovery Plan prepared according to the regulator's directions with full range of credible recovery options in year 2022.

Continuous monitoring of the predetermined set of alerts and early warning indicators specify the requirement for reporting to higher management for precautionary actions before triggering an event. In the event of a trigger, the ICAAP and RCP Steering Committee of the Bank headed by the General Manager shall immediately activate the recovery options. Activation of predetermined recovery options will restore the financial position and market confidence in bank's resilience following an adverse shock which will ensure interest of all the stakeholders are safeguarded.

Risk Reporting

All risk exposures are reported to the relevant management level committees and escalated to the Board subcommittees as appropriate.
A comprehensive risk report, comprising risk dashboards and performance against risk appetite indicators is provided to the IRMC on a monthly basis, and as and when required. Given the continued challenging operating environment in 2022, risk reporting to the Board was strengthened, with special focus on the credit, liquidity, interest rate risk and information security related risks.

In addition to the above, tightened scrutiny from the regulator in 2022 required more frequent reporting in a dynamic and rapidly changing risk landscape.

Risk Performance 2022

Credit Risk

The Bank's credit risk management framework is governed in line with the "Three Lines of Defence Model", with credit originating mainly from the client-facing primary business lines. A robust framework enables the Bank to identify, manage, mitigate and report credit risks in a consistent manner across the organisation and in line with the Bank's risk appetite.

Credit Risk
Focus Areas and Developments in 2022

1

Continuous credit support to the customers

Support provided for SMEs and corporate customers to continue their businesses by granting moratoria, restructure and rescheduling of credit facilities, and extending additional credit facilities where appropriate.

2

Business revival and rehabilitation

Expanded the Bank's Business Revival and Rehabilitation Units across the island, to support survival of businesses that were highly affected by the protracted economic crisis. The Bank took this decision and stance to focus on revival of businesses over standard recovery initiatives; as a measure that would benefit the nation and economy in the long-run.

3

Providing moratoria

Debt moratoria extended above and beyond the regulator's recommendation; providing relief for businesses and individuals who were affected by import restrictions, economic crisis, and political instability up to the end of 2022.

4

Timely review of policies

Comprehensive review of policies carried out in order to incorporate new developments in the business and regulatory environment.

5

Maintaining credit quality under new normal

Analysis carried out for highly affected/ vulnerable sectors (risk elevated industries) in order to maintain credit quality during the crisis and adapt to the new-normal situation.

6

ESMS implementation

Initiatives undertaken to operationalise assessment of environmental and social risk in lending activities.

7

Strengthening credit quality assurance

Post sanctioning reviews carried out through the Credit Quality Assurance Unit by expanding the scope.

Risk Management

A brief overview of the governance structures, policy framework, and methodologies used in driving credit risk management is set out below:

Board of Directors

Holds apex responsibility in ensuring the Bank's credit risk exposures are maintained within the defined risk appetite

Integrated Risk Management Committee (IRMC)

Supports the Board in its oversight of risk management and related duties. Responsible for implementing Bank's credit risk management framework and monitoring performance on consistent basis

Credit Committee

- Formulating, reviewing, and implementing credit risk appetite limits
- Approving/recommending credit proposals within authorised limits
- Ensuring regulatory compliance in the Bank's risk policies and guidelines
- Recommending credit related policies
- Monitoring risk concentrations

Credit Risk Management Unit

Provides independent review of the First Line of Defence. Manages and oversees Bank-wide credit Risk Management

Credit Quality Assurance Unit

Carries out periodic post-sanctioning review of large credit exposures

ESMS Unit

Identifies and manages the Bank's exposure to the environmental and social risks of its lending portfolio

Credit risk management framework

The Bank's comprehensive Credit Risk Management Policy mandates the following pre-credit sanctioning and post-credit monitoring mechanisms

Pre-credit sanctioning

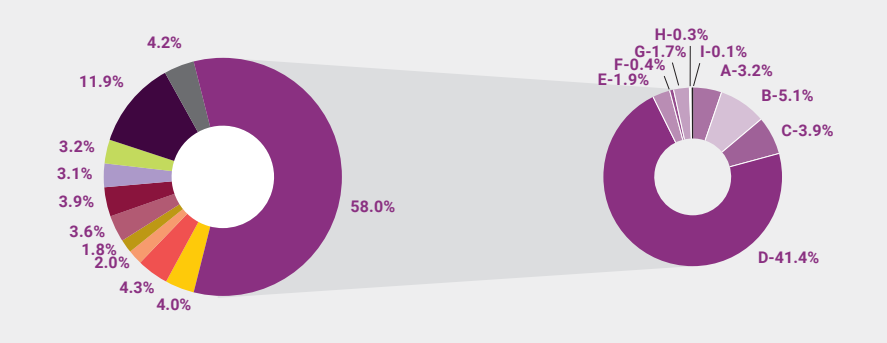
- Structured credit appraisal mechanisms and defined credit criteria
- Multiple levels of approval authority and independent review by CRO
- Limits for credit risk categories such as default, concentration and counterparty
- Retail scorecards and borrower rating models
- Risk based pricing
- Early warning signals
- Regulatory limits

Post-credit monitoring

- Ongoing and robust credit review
- Portfolio evaluation
- Proactive engagement with customers in identifying requirements and stresses
- Stress testing and scenario analyses
- Monitoring watch list exposures
- Ensuring loan review mechanism by Credit Quality Assurance Unit

Credit Risk Performance in 2022

Geographical Concentration

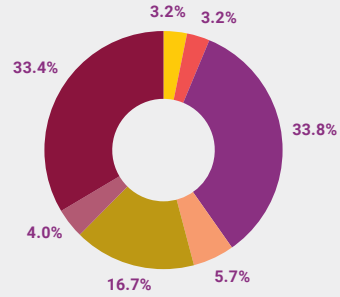


- Western Province
- Southern Province
- Central Province
- Northern Province
- Eastern Province
- North Central Province
- North Western Province
- Sabaragamuwa Province
- Uva Province
- Offshore Banking
- Overseas Branches

Western Province

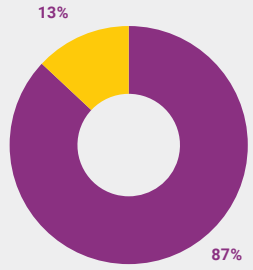
A – Western Province North
B – Western Province South
C – Western Province Central
D – Corporate
E – Metro
F – Pettah
G – Head Office
H – Card Centre
I – Islamic Banking

Collateral Concentration



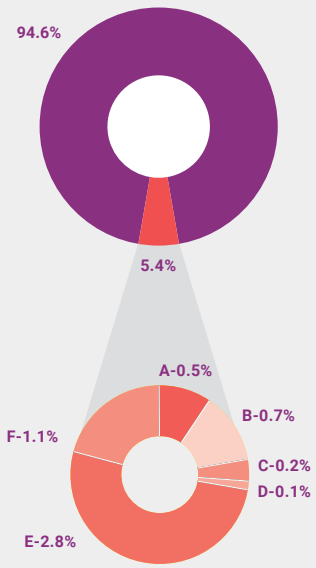
- Cash
- Gold
- GoSL securities/ guarantees
- Movables
- Property
- Others
- Unsecured

Rating Grade Wise Distribution



- AAA to BB
- B and below

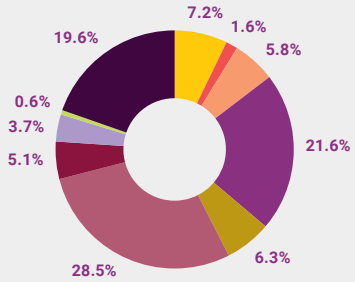
Cross Border Exposure of the Bank



- Other assets
- Cross border assets

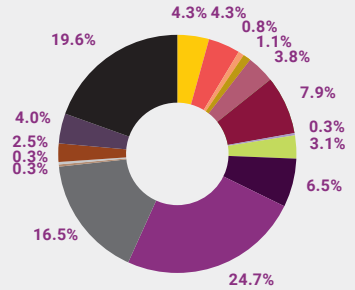
A – India
B – USA
C – Other countries
D – Seychelles
E – Maldives
F – UK

Sector Concentration



- Agriculture and fisheries
- Banks, financial, insurance and business services
- Hotels travels and services
- Housing, construction and infrastructure
- Manufacturing
- Commercial trade
- Sovereign and direct government
- Transportation and logistics services
- Other commercial services
- Consumption and other

Product Wise Concentration



- Trade finance
- Ran Surakum
- Leasing
- Staff loans
- Loans under schemes
- Overdrafts
- Credit cards
- Housing loans
- Foreign currency loans others
- Term loans
- BoC personal loans
- Pledge loans
- Money market loans
- Loans others
- Government FCBU
- Loans to CPC

Environmental and Social Management System (ESMS)

The failure to identify and manage E&S risks arising from its customers' operations can represent a serious threat to the bank's reputation and its business and can lead to costly litigation, or loss of revenue. The Bank issued comprehensive Environmental and Social Management System guidelines in compliance with its Integrated Environmental and Social Management System Policy, which explains the procedures for identifying, assessing and managing environmental and social risks of financial transactions. The Bank recognises that its customers' financial and operational sustainability can be challenged by adverse impacts of their operations on the environment, their employees and surrounding communities. While supporting proliferation of products to promote sustainable green financing and financial inclusion, Bank's ESMS entwined with ESG considerations, ensures that banks' lending activities and operations are environmentally and socially responsible and compatible with the applicable regulatory environmental and social standards, country regulations as well as internationally recognised best practices. The Bank has strengthened its human resource by conducting island-wide training programs on ESG.

The Bank supports the implementation of road map for Sustainable Finance in Sri Lanka by identifying and evaluating the associated climate related risks and green financing activities in lending portfolio of the Bank, with the focus of promoting sustainable and environmental friendly infrastructure to our customers by identifying opportunities through Environmental and Social Due Diligence (ESDD) procedures that contribute to more greener and sustainable economy in Sri Lanka.

Risk Management

Market Risk

Market risk is the adverse variation around expectation and arises due to negative movement in variables such as interest rates, exchange rates, share prices and commodity prices. Market risk arises through the Banking Book and the Trading Book and comprises the following:

Interest Rate Risk (IRR) – arising from the Bank's trading and non-trading books	Foreign exchange risk – stemming from foreign currency denoted transactions	Equity risk – losses from volatilities in equity prices
IRR is significant, given the Bank's material exposure to interest rate sensitive assets and liabilities. BoC manages IRR through a clearly defined set of tools and indicators. Maturity mismatches, interest rate gaps and Price Value per Basis Point (PVBP) are monitored on a consistent basis, while implications of changes in macroeconomic conditions are assessed through regular stress testing.	Forex transactions are governed by stringent internal policies, including approval mechanisms, external regulatory guidelines and limits set by the Bank and the regulator. Internally, a comprehensive limit structure, comprising Value at Risk (VaR) limits and volume limits for open positions of both individual and aggregate currency exposures, is used to manage vulnerabilities. The Bank also conducts stress testing on plausible Forex risk scenarios.	A dedicated Investment Committee is in place to ensure that the Bank's investment decisions are in line with the Board's expectations on risk-return dynamics. The Market Risk Division ensures the limit structure is in place for proper management of the equity portfolio. The equity risk management function is complemented by a comprehensive stress testing analysis.

Market Risk Focus Areas and Developments in 2022

1

Limits review

Revision of limits assigned to counterparties to manage current local and foreign risk environments.

2

Improved reporting

Improved information provided to management more frequently regarding current and future risk factors arising due to systemic and idiosyncratic risk factors.

3

Assessment of potential risks

Carried out stress testing on plausible assessment of potential risk scenarios (e.g. Haircut of ISBs) to evaluate the impact on capital adequacy.

4

Review of policies

Review of policies in line with recent developments and market conditions.

Board of Directors

Holds apex responsibility in ensuring the Bank's risk exposures are proactively monitored and maintained within the defined risk appetite.

Integrated Risk Management Committee (IRMC)

Supports the Board in its oversight of risk management and related duties.

Asset and Liability Management Committee (ALCO)

- Analysing market risk associated with financial markets and recommending mitigation actions
- Recommending and approving market risk limits within delegated authority
- Overseeing various enterprise-wide market risk exposures
- Recommending the appropriate pricing structure

Treasury Middle Office/Market Risk Management Unit

The middle office at IIRMD independently reviews the treasury operations.

The middle office functions of treasury operations are governed primarily through Market Risk Management Policies and Limit Management Framework.

Market Risk Management Framework

Market risk management framework

The Bank's market risk management framework recognises the importance of robust risk management practices and is based on clearly defined governance structure, strategies, risk mitigating tools and procedures to identify, quantify, measure and manage market risk.

Key elements of the Bank's market risk management function

Market risk policies

The Market Risk Policy Framework comprises the following:

- Market Risk Management Policy
- Limit Management Framework
- Foreign Exchange Risk Management Policy
- Middle Office Operations Manual Policies are reviewed and updated regularly by the Board in view of changing dynamics in the operating landscape.

Risk limits

Risk limits are set for treasury and investment related activities including foreign currency open position limits, counterparty limits, stop loss limits and dealer limits.

The Board holds ultimate responsibility for this exercise and is supported by the ALCO.

Limits are regularly reviewed and updated by the IIRMD (with input from the ALCO) in line with market developments.

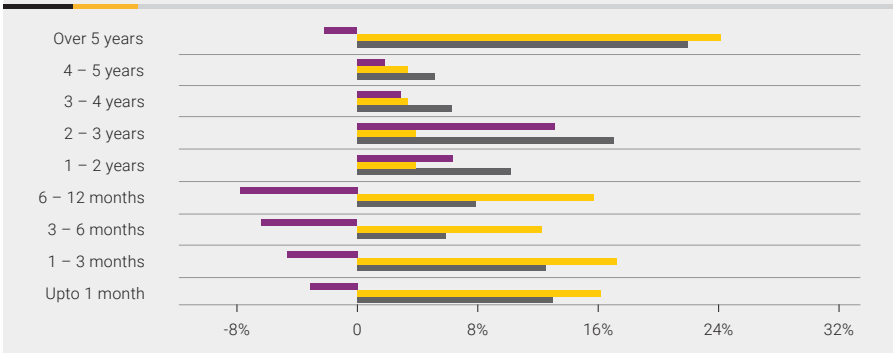
Risk monitoring

Market risk is monitored through a range of indicators including interest margins, foreign currency exposures, equity exposures, and funding requirements.

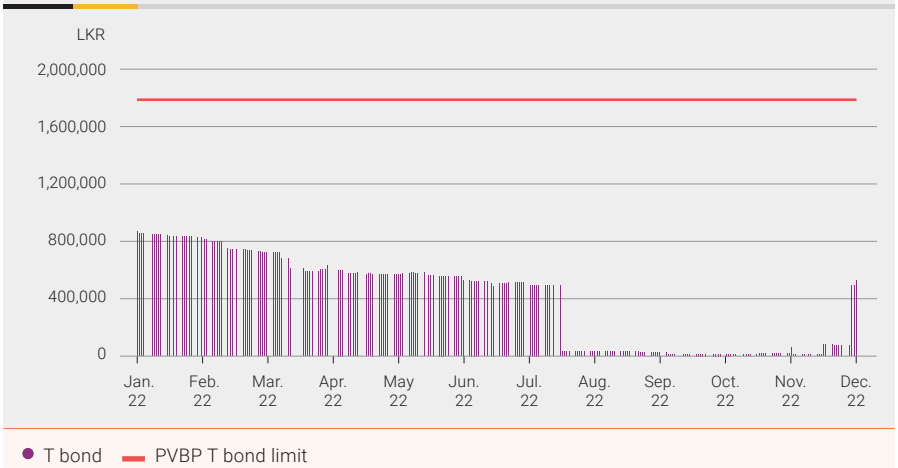
The monitoring mechanism is supported by tools such as value at risk, price value per basis point, duration, gap analysis, stress testing, sensitivity analysis, limits, and net open positions.

Market Risk Performance in 2022

Sensitivity Analysis of Assets and Liabilities – December 2022

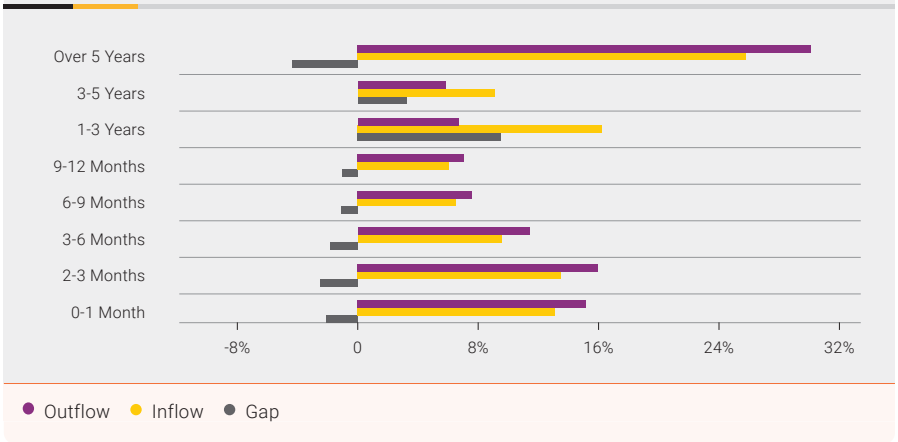


PVBP T Bond



Risk Management

Maturity Analysis of Assets and Liabilities – December 2022



Liquidity Risk

Liquidity risk involves potential losses to earnings and/or capital due to inability to meet the Bank's financial obligations as and when they are due.

The Bank's liquidity risk management framework is based on strategy, governance, processes, systems and data, methodology and reporting. It ensures Bank's resiliency in facing unexpected liquidity crisis situations.

The ALCO holds responsibility for managing liquidity risks and consistently monitors the Bank's liquidity position to ensure compliance with regulatory requirements and internal targets.

Liquidity Risk Focus Areas and Developments in 2022

1

New liquidity risk management committee

Establishing an Internal Management Committee to monitor the Bank's daily liquidity position and a new FCY outflow committee.

2

Robust reporting mechanism

Reporting up-to-date liquidity position continuously on a frequent basis to requisite committees

3

Initiatives to manage liquidity

Recommendation of new money market product for Repo, deposit mobilisation target, and strengthening the contingency funding plan of the Bank

Board of Directors

Holds ultimate responsibility for managing the Bank's liquidity risks within the defined parameters set out in the risk appetite.

Integrated Risk Management Committee (IRMC)

Supports the Board in its oversight of liquidity risk management and related duties.

Asset and Liability Management Committee (ALCO)

- Consistent monitoring of the liquidity profile to ensure compliance to regulatory requirements and internal targets
- Formulating a contingency liquidity plan
- Exploring avenues of bridging liquidity shortfalls and alternative funding arrangements
- Recommending relevant risk appetite limits
- Evaluating quarterly stress testing and making recommendations

Liquidity risk management framework

Liquidity policies

Policies such as Liquidity Risk Management and Asset and Liability Management provide guidance on mechanisms, tools, and stress testing methodologies that are to be adopted in managing liquidity risk exposures.

Liquidity measurement

Flow approach: Assessment of projected/ actual inflows and outflows in time buckets.

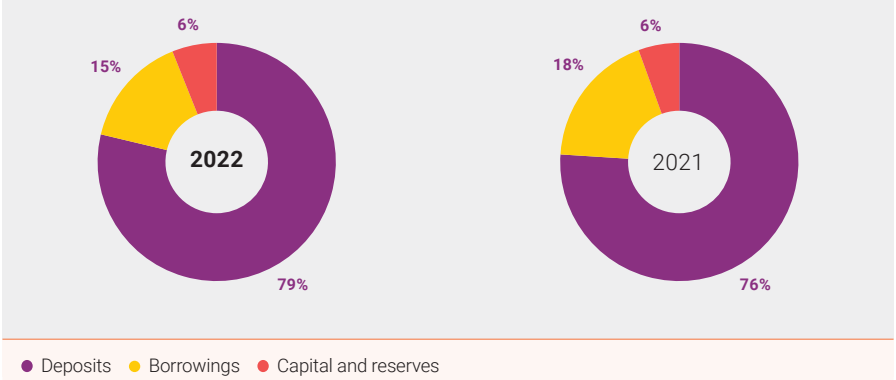
Fund approach:
Measures liquidity position through liquid assets ratio, liquidity coverage ratio, net stable funding ratio and credit to deposit ratio etc.

Contingency Funding Plan

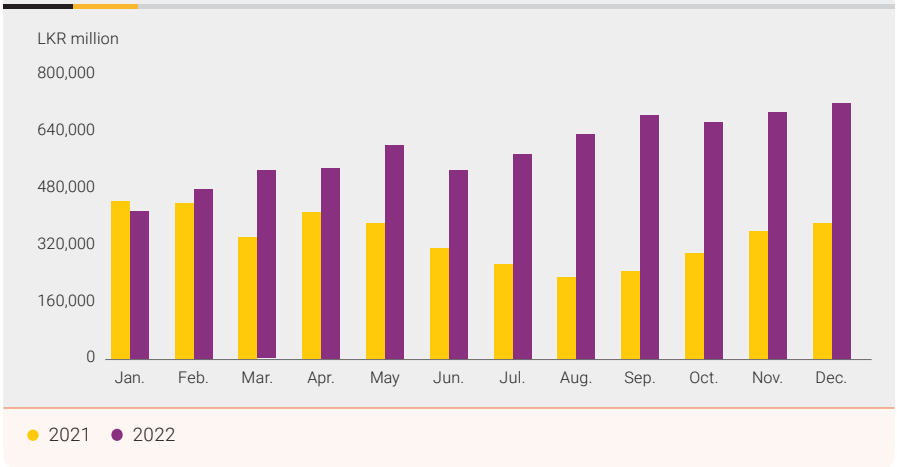
The plan defines specific triggers and action plans with responsibilities to ensure business continuity in the event of liquidity stress.

Key Liquidity Indicators in 2022

Funding Composition



Unencumbered Securities



LCR
122.77%
2021 – 111.45%

NSFR
139.00%
2021 – 124.31%

LAR
21.22%
2021 – 24.97%

CD Ratio
77.58%
2021 – 89.88%

Operational Risk

Managing operational risk is an organisation-wide discipline and is implemented using tools embedded in the Bank's Operational Risk Management Framework. The framework supports the identification, measurement, management, monitoring and reporting of material operational risks.

Operational Risk Focus Areas and Developments in 2022

1
Strengthening internal controls
Focusing on arresting possible internal frauds Bank carried out awareness programmes to all levels of staff especially to Managers and Internal Control Officers.

2
Risk Control Self-Assessment (RCSA)
Chosen critical units were subject to the RCSA process which enabled improving process controls which mitigated the inherent risks that would be imbedded in the processes without the attention of the process owner.

3
Reviewing policies
To incorporate new regulations and changes in operations.

4
Providing risk perspective
All new products/processes are routed through the Risk Management Division which provides feedback on risk aspects as well as its appropriateness and sustainability which has enabled the Bank to take sound decisions on its new developments.

5
Revamping bank-wide circulars
As a Bank with over eight decades history it was identified that our operating procedures need to be cleansed. A special task was undertaken by the BPRP unit with the feedback and analysis from risk and other stakeholders.

Risk Management

Board of Directors

Holds apex responsibility in ensuring that the Bank's operational risks are managed in line with the parameters defined in the risk appetite.

Integrated Risk Management Committee (IRMC)

Supports the Board through oversight on risk management related duties.
Responsible for implementing the Bank's operational risk management framework and monitoring performance on a consistent basis.

- Operational Risk Management Executive Committee (ORMEC)
- Fraud Risk Management Committee (FRMC)
- Operational Risk Management Unit

Tools and mechanisms

Policy framework

Key policies include:

- Operational Risk Management Policy
- Fraud Risk Management Policy
- Information Security Risk Management Policy

These clearly set out guidelines on responsibilities, tools, and procedures in the identification, assessment, mitigation and monitoring of operational risks.

Risk identification and measurement

Risk and Control Self-Assessments (RCSAs) enable identification of potential pain points and are carried out for critical business units.

Key risk indicators, internal loss data and root cause analysis are also used to evaluate exposure to operational risks.

Reporting and monitoring

The IRMC and the Board are regularly updated on operational risk events/losses and control failures.

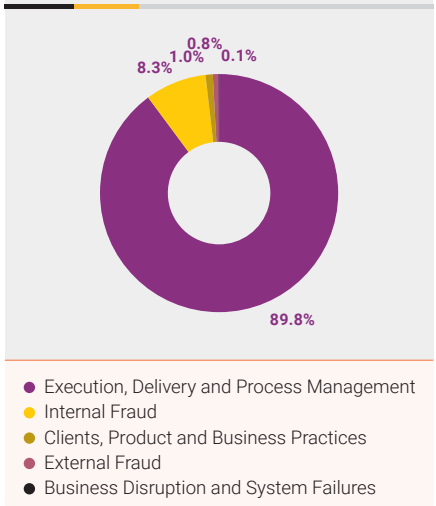
The Bank also maintains a database of operational losses allowing identification of trends and root causes. As an organisation-wide risk exposure, the Bank strives to nurture a risk conscious culture by encouraging employee to share knowledge.

Mitigation

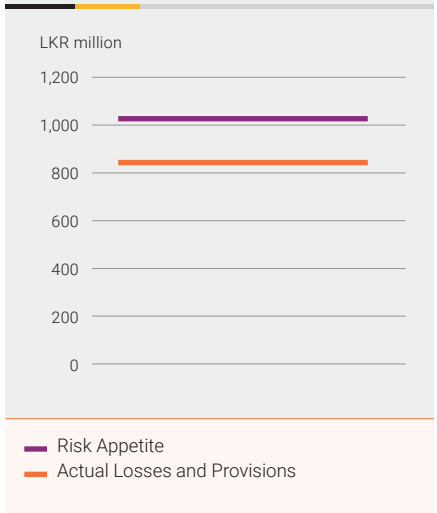
1. Robust internal control structure
2. Business Continuity Plans for all critical business units and support functions
3. State-of-the-art disaster recovery centre
4. Comprehensive insurance cover
5. Ongoing process evaluation for improvements

Key Operational Risk Indicators in 2022

Loss Data Analysis for Year 2022



Risk Appetite vs Actual Losses and Provisions – 2022



Information Security and Technology Risk

Information Security and Technology Risk involves risk of loss or theft of information, data and money, or potential service disruption stemming from adoption of IT within the Bank.

Information Security and Technology Risk
Focus Areas and Developments in 2022

1

Alignment of technology risk posture

Commencing alignment of technology risk posture of the Bank in compliance with the regulatory framework on technology risk and resilience.

2

IT Governance and Cybersecurity initiatives

Initiating process to implement COBIT, IT Governance framework

Initiating the process to obtain insurance cover for cybersecurity.

Introducing leading industry-accepted information security guidelines for inhouse developments.

3

Awareness building

Conducting information security awareness sessions, including practical sessions on social engineering attacks.

Highlighting emerging and current information on IT risks to the management to facilitate informed decision-making

4

SOC and NOC

Ensuring 24x7 operation of the Security Operation Centre (SOC) and establishing a Network Operation Centre (NOC) to provide on-time response to alerts generated by the SOC.

5

Risk assessment

Completing comprehensive SWIFT scenario-based risk assessment in order to better understand risks faced by the Bank with regard to SWIFT operations.

6

Technology risk mitigation

Scrutinising new system requirements, new developments, and changes to existing systems in order to mitigate technology risk (included piloting of measures for data privacy and classification, loss-prevention, etc.)

Human Resource Risk

People-related risk aspects remained a factor in 2022 as pandemic-induced challenges were exacerbated by sociopolitical upheaval during the year. Risks with regard to physical and mental well-being, risk of employee isolation, and challenges in supporting work-life balance of employees continued to be considered by the Bank's people management strategy during the year.

Challenging economic and sociopolitical conditions during 2022 led to emergence of new risks including employee turnover for the Bank. Increased employee turnover coupled with natural attrition and constraints on hiring adversely impacted the Bank's talent pool.

The Bank's people management strategy involves the following:

- Ensuring comprehensive safety measures for all employees.
- Ongoing virtual engagement and development initiatives.
- Facilitating work from home and remote working arrangements.
- Continuous assessment and realignment of staff roles to meet operational needs.
- Selective sourcing of new recruits including professionals for critical operations.
- Exit interview to formulate strategies to arrest any flaws in the Bank.

Regulatory and Compliance Risk

Frequent changes in regulatory guidelines have increased the risk of non-compliance stemming from varied interpretation and manner of implementation. This is mitigated through close and proactive engagement with regulators, and operations of a dedicated Compliance Unit monitoring all compliance with guidelines and regulations.

Climate-related Risk

Climate-related risks including natural disasters and failure to implement long-term climate adaptations and solutions, are among some of the key risks faced by the Bank's customers. In cognisance of this, BoC works to strengthen its climate risk management framework, and took steps during the year in alignment with its commitment to continual improvement of identification and mitigation measures for climate-related risks.

Measures adopted by the Bank in this regard, include:

- Continuous scale-up of adoption of the Bank's Environment and Social Management System (ESMS). Refer page 149 above, and page 103 in the Community and environment section for more information.
- Increased focus on renewable energy both from a lending perspective and internal operations
- Raising employee awareness on ESMS management within the Bank.
- Steps taken to establish a foundation for compliance with the Task force on Climate-related Financial Disclosures (TCFD).

Risk Management

Legal Risk

Legal risk entails potential losses to earnings and reputational damage arising from non-compliance with regulatory/statutory provisions, uncertainty due to legal actions, or uncertainty in the applicability or interpretation of relevant laws or regulation applicable to the Bank.

- A highly-skilled and experienced legal function ensures that all exposures are mitigated through ongoing review of legally binding agreements. This is supported by the Bank's compliance function.
- Ensuring all policies, procedures and guidelines are robust and relevant given changing regulatory requirements and stakeholder considerations.

There were no material losses suffered by the Bank due to legal risk.

Reputational Risk

Reputational risk arises from the loss of confidence and negative perception of the Bank which can adversely impact earnings, assets, capital position and/or brand value.

During the year, reputational risk was mitigated through:

- BoC playing a leading role in supporting the Nation's macroeconomic stability and economic revival through lending to critical sectors of the economy, rehabilitating/reviving customers where possible, and stimulation of inward-remittance contributing to forex inflows.
- Efforts taken to ensure business continuity and customer service despite challenging conditions.
- The Bank's efforts to promote financial inclusion throughout the island.
- The Bank continues to be ranked as one of Sri Lanka's leading brands and the No.1 brand in the banking sector.
- The Bank extended support to key institutions that enabled uninterrupted access to essentials via the import of fuel, medicine, vaccinations, and more.

Strategic Risk

Potential losses arising from the possible flaws in the Bank's future business plans and the possibilities of strategies being inadequate.

The Bank's strategic risks are mitigated through:

- Strategic direction of the Bank given by its vision and mission, articulated in BoC's corporate plan with specific measurable time-bound targets.
- Existence of a robust mechanism for formulating strategy, including inputs by the Corporate Management and Executive Management team, assessment of the operating landscape, consideration of stakeholder needs, and finally deliberations by the Board of Directors
- Continued monitoring of performance against defined targets.
- Use of comprehensive scorecards to measure strategic risk exposures.

Way Forward

Considering the dynamic nature of the risk landscape and the stressed operating environment going into 2023, the Bank has plans in place and measures underway to ensure stability in the coming year while maintaining the Bank's No 1 position.

Focus for 2023

1. Ensure achievement of corporate objectives and improve stakeholder value
2. Optimal use and augmentation of capital
3. Focus on revival and rehabilitation of businesses
4. Ensure prudent management of liquidity
5. Managing and improving NIM
6. Improve products and processes to minimise operational losses
7. Strengthening the environmental and social governance
8. Adopting international best practices
9. Manage and mitigate reputational risk in order to maintain brand value under highly volatile economic conditions
10. Manage and mitigate compliance risk through a compliant business framework
11. Effective concentration risk management through portfolio management

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8 Annual Report of the Directors on the State of Affairs of Bank of Ceylon

1. General

The Board of Directors of Bank of Ceylon takes pleasure in presenting their Report on the affairs of the Bank together with the Audited Consolidated Financial Statements for the year ended 31 December 2022 of the Bank and the Group and the Auditor General's Report on those Financial Statements, conforming to the requirements of the Bank of Ceylon Ordinance No. 53 of 1938 and Banking Act No. 30 of 1988 and amendments thereto. The Report also includes certain disclosures laid down by the Colombo Stock Exchange Listing Rules and certain disclosures required to be made under the Banking Act Direction No. 11 of 2007 on Corporate Governance for licensed commercial banks issued by the Central Bank of Sri Lanka and subsequent amendments thereto. The Directors reviewed and approved the Financial Statements on 24 February 2023.

Bank of Ceylon is a licensed commercial bank under the Banking Act No. 30 of 1988 and amendments thereto and was duly incorporated on 1 August 1939 under Bank of Ceylon Ordinance No. 53 of 1938. The Bank is wholly owned by the Government of Sri Lanka. The unsecured subordinated redeemable debentures issued by the Bank are listed on the Colombo Stock Exchange.

2. Review of the business

2.1 Principal activities of the Bank

The principal activities of the Bank during the year were personal banking, corporate banking, development banking, off-shore banking, trade financing, lease financing, primary dealing, investment banking and treasury operations, correspondence banking and money remittances, islamic banking, bancassurance, pawning, credit card facilities, foreign currency operations and other financial services.

2.2 Subsidiaries and associates

The principal activities of subsidiaries and associates are given under Notes to the Financial Statements on page 184. There were no significant changes in the nature of the principal activities of the Bank and the Group during the year under review, other than changes mentioned under accounting policies.

2.3 Changes to the Group structure

During the year, Property Development PLC (Currently known as Property Development Limited), which is a subsidiary of Bank of Ceylon has been delisted from the official list of the CSE with effect from 27 October 2022. A total of 1,573,272 shares have been re-purchased by the Property Development PLC for a total consideration of LKR 287.9 million under the de-listing process. As at 31 December 2022, the issued and fully paid number of ordinary shares stood at 64,426,728.

In line with the de-listing, the shareholding of BoC adjusted to 97.89% from 95.55%. In the Consolidated Financial Statements necessary adjustments were made to record this shareholding change.

Notes to the Financial Statements No. 31 and 32 on pages from 253 to 261 of this Annual Report give details about the Group.

2.4 Vision, Mission and Corporate Conduct

The Bank's Vision, Mission and Value Statement are given in the second inner back cover of this Annual Report. The Bank maintains high ethical standards in its activities whilst pursuing the objectives stated under "Vision", "Mission" and "Value Statements".

2.5 Review of the year's performance

The Chairman's Message on pages 14 to 16 deals with the year's performance of the Bank/Group and on the Sri Lankan economy. The General Manager's Review on pages 18 to 21 provides a detailed description of the operations of the Bank during the year under review. The section titled "Financial Review" on pages 60 to 64 provides a detailed analysis of business operations of the Bank. These reports that provide a fair review of the Bank's affairs form an integral part of the Annual Report.

2.6 Branch expansion

Enhancing the digital adoption, the Bank expanded its network by 75 CRMs during the year across the island, bringing out the total direct customer contact points to 2,166. This number does not include peer banks' ATMs through which customers of Bank of Ceylon can transact and School *"Sansada"* and Mobile saving units.

Due to the economic downturn prevailed in the country, capital expenditure of the Bank was closely monitored in line with the guidelines issued by the Ministry of Finance and the Central Bank of Sri Lanka. During the year 2022, one branch has been added to the brick and mortar network of the Bank.

2.7 Corporate donations

The Bank has donated LKR 60.1 million on Corporate Social Responsibility (CSR) activities carried out during the year 2022 (2021 – LKR 79.5 million).

2.8 Directors' responsibility for financial reporting

The Directors are responsible for the preparation of Financial Statements that will reflect a true and fair view of the state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Banking Act No. 30 of 1988 and its amendments, Bank of Ceylon Ordinance No. 53 of 1938 and its amendments and the Listing Rules of the

Colombo Stock Exchange. In the case of subsidiaries, the Financial Statements are also prepared in accordance with the provisions of the Companies Act No. 07 of 2007. The Statement of "Directors' Responsibility for Financial Reporting" is given on page 168 of this Annual Report and forms an integral part of this Report of the Directors.

2.9 Auditor's report

The Auditor General is the Auditor of Bank of Ceylon in terms of the provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka.

Report of the Auditor General on the Financial Statements of the Bank and the Consolidated Financial Statements of the Bank and its subsidiaries as at 31 December 2022 is given on pages 169 to 173 of this Annual Report.

2.10 Accounting policies

The Group and the Bank prepared their Financial Statements in accordance with Sri Lanka Accounting Standards (LKASs) and Sri Lanka Financial Reporting Standards (SLFRSs).

The accounting policies adopted in the preparation of Financial Statements are given on pages 184 to 199.

3. Planned developments

An overview of the developments planned by the Bank for the future is presented in the incoming Chairman's and General Manager's outlook on pages 22 to 25 of this Annual Report.

4. Total income

The total income of the Group for the year 2022 was LKR 520,891.2 million as against LKR 297,620.8 million in the previous year. The Bank's total income accounted for 99% (2021 – 98%) of the total income of the Group. The main income of the Group is interest income, which comprises 89% (2021 – 90%) of the total income.

5. Dividends and reserves

5.1 Profit and appropriations

The Bank has recorded a profit before tax of LKR 30,976.6 million in 2022 reflecting a notable decrease of 28%, compared to LKR 43,189.5 million recorded for the previous year.

After reversal of LKR 995.8 million (2021 – tax charge of LKR 5,599.4 million) for income tax, the Bank has recorded Profit After Tax (PAT) for the year 2022 amounting to LKR 31,972.4 million, which is a 15% decrease compared to LKR 37,590.1 million PAT reported in 2021.

Details of the profit relating to the Bank and the Group are given in the table below:

	Bank		Group	
For the year ended 31 December	2022 LKR million	2021 LKR million	2022 LKR million	2021 LKR million
Profit for the year after payment of all expenses, providing for depreciation, amortisation, impairment on loans and other losses, contingencies and before taxes	42,289.9	52,216.7	42,372.2	53,843.1
Taxes on financial services	(11,313.3)	(9,027.2)	(11,442.5)	(9,339.7)
Share of profits/(losses) of associate companies net of tax	–	–	122.8	133.7
Profit before income tax	30,976.6	43,189.5	31,052.5	44,637.1
Income tax expense	995.8	(5,599.4)	796.5	(5,953.7)
Profit for the year	31,972.4	37,590.1	31,849.0	38,683.4
Other comprehensive income for the year, net of tax	27,806.9	8,356.8	32,230.3	9,566.6
Total comprehensive income for the year	59,779.3	45,946.9	64,079.3	48,250.0
Appropriations				
Transfers to permanent reserve fund	(640.0)	(752.0)	(640.0)	(752.0)
Dividends	(346.4)	(1,846.4)	(346.4)	(1,846.4)

After reversal LKR 796.5 million of income tax (2021 – tax charge of LKR 5,953.7 million), the profit after tax for the year of the Group is LKR 31,849.0 million in 2022 (2021 – LKR 38,683.4 million).

Annual Report of the Directors on the State of Affairs of Bank of Ceylon

5.2 Dividends

The Bank pays dividends to its sole shareholder; the Government of Sri Lanka, as per the Dividend Policy of the Bank in consultation with the Government, prudently based on profits after deduction of tax, loan loss provision and any such portion for reserves. Accordingly, a sum of LKR 346.4 million has been paid out by the Bank as dividends for the year 2022 (2021 – LKR 1,846.4 million).

5.3 Reserves

The total reserves of the Group stood at LKR 245,743.6 million as at 31 December 2022 (2021 – LKR 188,807.3 million). The Group reserves consist of the following:

As at 31 December	Group	
	2022 LKR million	2021 LKR million
Permanent reserve fund	15,131.0	14,491.0
Cash flow hedge reserve	25,620.6	3,239.3
Revaluation reserve	27,558.1	26,302.6
Free reserve	366.7	366.7
Exchange translation reserve	14,304.4	4,461.2
FVOCI reserve	2,584.4	1,483.4
Statutory reserve	358.9	358.9
Retained earnings	159,819.5	138,104.2
Total	245,743.6	188,807.3

6. Property, plant and equipment

The total capital expenditure incurred by the Group on the addition of property, plant and equipment and intangible assets during the year amounted to LKR 4,195.2 million (2021 – LKR 2,371.9 million) the details of which are given in Notes 34 and 36 of Financial Statements on pages 263 to 283 and 285 to 288 of this Annual Report.

7. Value of freehold properties

The value of freehold properties owned by the Group as at 31 December 2022 is included in Note 34 of the Financial Statements at LKR 31,125.9 million (2021 – LKR 29,560.0 million).

8. Stated capital and shareholding

8.1 Stated capital

The total issued and fully paid-up capital of the Bank as at 31 December 2022 was LKR 25,000 million (2021 – LKR 25,000 million). During the year Government Treasury infused LKR 730.0 million as capital contribution to the Bank and as at end 31 December 2022 this amount has been recorded under capital pending for the allotment.

8.2 Shareholding

The Government of Sri Lanka is the sole shareholder of the Bank.

9. Issue of subordinated debentures/bond

During the year, the Bank successfully raised LKR 6,490.0 million (2021 – LKR 5,400.0 million) through the issue of Basel III compliant, unlisted, rated, unsecured, subordinated, debentures to support Tier 2 capital base.

The details of debentures outstanding as at the date of Statement of Financial Position are given in Note 49 of the Financial Statements on pages 305 to 307.

10. Share information

The basic earnings per share and net assets value per share of the Group were LKR 1,279.8 (2021 – LKR 1,539.6) and LKR 10,858.9 (2021 – LKR 8,552.3) respectively, for the year under review.

11. Corporate sustainability and responsibility

The programs carried out under Corporate Sustainability and Responsibility (CSR) are detailed on pages 103 to 113 under the section titled "Community and Environment".

12. Directors

Details of Directors who held the office during the year 2022 and holding the office as of the sign-off date of this Annual report is given on pages 27 to 29. The Directors of the Bank do not hold any executive positions in the Bank. They bring wide range of skills and experience to the Bank. The qualifications and experience of the Directors are given on pages 27 to 29 of this Annual report. As of the Annual Report sign- off date, the number of Directors holding office is four (4). During the year 2022, the Board consisted of the following members;

12.1 List of Directors

Mr Kanchana Ratwatte
Independent Non-Executive Director/ Chairman (Appointed w.e.f. 02 January 2020, ceased to be a Director w.e.f. 1 January 2023).

Mr R M Priyantha Rathnayake
Non-Executive Ex officio Director (Appointed w.e.f. 28 April 2020)

Mr G Harsha Wijayawardhana
Independent Non-Executive Director (Appointed w.e.f. 14 January 2020, ceased to be a Director w.e.f. 13 January 2023).

Mr A C Manilka Fernando
Independent Non-Executive Director (Appointed w.e.f. 21 April 2020).

Major General (Rtd.) G A Chandrasiri VSV
Independent Non-Executive Director (Appointed w.e.f. 8 January 2021).

Mr Jayampathy Molligoda
Independent Non-Executive Director (Resigned w.e.f. 31 January 2022)

The Directors are classified as Independent Directors on the basis given in Banking Act Direction No. 11 of 2007 on Corporate Governance for licensed commercial banks issued by the Central Bank of Sri Lanka.

12.2 Board subcommittees

The Board has formed five subcommittees complying with the aforesaid Banking Act Direction No. 11 of 2007 and to ensure oversight control over affairs of the Bank. The subcommittee composition is given under Board Subcommittee Reports on pages 130 to 139 of this Annual Report.

12.3 Directors' meetings

Attendance of Directors at Board and subcommittee meetings are given on page 127 of this Annual Report.

12.4 Directors' interests in contracts

Directors' interests in contracts with the Bank, both direct and indirect are given on pages 163 and 164. These interests have been declared at meetings of the Board of Directors. Except for the contracts given therein, the Directors do not have any direct or indirect interest in other contracts or proposed contracts with the Bank.

12.5 Directors' interests in debentures issued by the Bank/Group

There were no debentures registered in the name of any Director.

12.6 Directors' allowances/fees

The allowances/fees payable to the Board of Directors are made in terms of the provisions/contents in the Public Enterprises Circular No. PED 3/2015 dated 17 June 2015 and PED 01/2020 dated 27 January 2020 issued by the Department of Public Enterprises of the Ministry of Finance and Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. The Directors' remuneration in respect of the Bank and the Group for the financial year ended 31 December 2022 are given in Note 17 on page 208.

13. Risk management and system of internal controls

13.1 Risk management

The Board of Directors assumes overall responsibility for managing risks. The specific measures which were taken by the Bank in mitigating the risks are detailed on pages 140 to 156 of this Annual Report.

13.2 Internal control

The Board of Directors has ensured the implementation of an effective and comprehensive system of internal controls in the Bank through the Audit Committee.

The Audit Committee helps the Board of Directors to discharge their fiduciary responsibilities. The Report of the Chairman of the Audit Committee is contained on pages 130 to 131 of this Annual Report. The Directors are satisfied with the effectiveness of the system of internal controls during the year under review and up to the date of the Annual Report and the Financial Statements.

The Board has issued a statement on the internal control mechanism of the Bank as per Direction No. 3 (8) (ii) (b) of Banking Act Direction No. 11 of 2007 on Corporate Governance for licensed commercial banks. The above report is given on pages 165 and 166 of this Annual Report. The Board has confirmed that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external reporting purposes has been done in accordance with relevant accounting principles and regulatory requirements.

The Board has obtained an Assurance Report from the Auditor General on Directors' Statement on Internal Control and it is given on page 167 of this Annual Report.

Annual Report of the Directors on the State of Affairs of Bank of Ceylon

14. Corporate governance

The Board of Directors is committed towards maintaining an effective corporate governance structure and process. The financial, operational and compliance functions of the Bank are directed and controlled effectively within corporate governance practices. These procedures and practices that are in conformity with Corporate Governance Directions issued by the Central Bank of Sri Lanka under Banking Act Direction No. 11 of 2007 and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka, are described in the section titled "Corporate Governance" appearing on pages 120 to 129 of this Annual Report.

The Board has obtained a report from the Auditor General on the compliance with the provisions of the above mentioned Direction No. 11 of 2007.

15. Human resources

One of the most valuable assets of the Bank is its employees and it is important for the Bank to develop them. Several measures were taken to strengthen the much valued human capital in order to optimise their contribution towards the achievement of corporate objectives. The Bank's human resource management policies and practices are detailed in the section titled "Employees" on pages 89 to 99 of this Report.

16. Compliance with laws and regulations

The Directors, to the best of their knowledge and belief confirm that the Group has not engaged in any activities contravening the laws and regulations except what has been disclosed under non-compliance on page 128 of this Report.

Details of the Bank's compliance with laws and regulations are given on pages 360 to 402 under the section titled "Compliance Annexes" which forms an integral part of this Report.

17. Outstanding litigation

In the opinion of the Directors and as confirmed by the Bank's lawyers, the litigation currently pending against the Bank will not have a material impact on the reported financial results or future operations of the Bank.

18. Statutory payments

The Board confirms that all statutory payments due to the Government and in relation to employees have been made on time.

19. Environmental protection

The Bank has not engaged in any activity, which has caused detriment to the environment. Further, precautions taken to protect the environment are given in the section titled "Community and Environment" on pages 103 to 113.

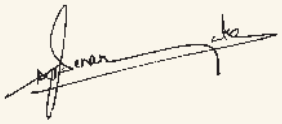
20. Post-balance sheet events

The Directors are of the view that no material events have arisen in the interval between the end of the financial year and the date of this Report that would require adjustments or disclosures.

21. Going concern

The Directors are confident that the resources of the Bank are adequate to continue its operations. Therefore, it has applied the going concern basis in preparing the Financial Statements.

By order of the Board,



Janaki Senanayake Siriwardane

Secretary Bank of Ceylon/
Secretary to the Board

31 March 2023

Colombo

Related party disclosure as required by the Sri Lanka Accounting Standard – LKAS 24 on "Related Party Disclosures" are detailed in Note 61 to the Financial Statements.

In addition, the transactions that have been carried out in the ordinary course of business in an arm's length basis with entities where the Chairman or a Director of the Bank is the Chairman or a Director of such entities, are detailed below:

Company	Relationship	Nature of Transactions	Limit '000	Balance/Amount outstanding as at 31.12.2022 '000	Balance/Amount outstanding as at 31.12.2021 '000
Directors' Interest In Contracts					
Mr Kanchana Ratwatte (appointed as the Chairman of Bank of Ceylon w.e.f. 2 January 2020)					
First Guardian Equities	Director	Current accounts	50,000	4,226	22,047
Hotels Colombo (1963) Limited (w.e.f. 24 February 2020)	Chairman	Current accounts		3,105	2,392
		Time Deposits		87,918	81,585
		Overdrafts	15,000	36,989	7,596
		Loans		227,308	192,562
		Other receivables		87,290	89,895
Property Development Limited (w.e.f. 25 February 2020)	Chairman	Current accounts		9,863	14,435
		Time Deposits		3,235,160	2,763,560
		Securities sold under repurchase agreements		167,953	528,500
Merchant Bank of Sri Lanka & Finance PLC (MBSL) (w.e.f. 30 September 2020)	Chairman	Current accounts		228,005	361,444
		Time Deposits		29	28
		Overdrafts	283,000	121,461	159,014
		Loans	1,576,812	1,576,812	389,785
BoC Property Development and Management (Pvt) Limited (w.e.f. 24 February 2020)	Chairman	Current accounts		1,640	3,485
		Time Deposits		962,600	811,900
		Securities sold under repurchase agreements		14,876	38,000
		Additional Tier 1 Capital Bond		250,000	250,000
Bank of Ceylon (UK) Limited (w.e.f. 3 July 2020)	Chairman	Current accounts		14,186	5,288
		Savings accounts		48	26
		Nostro accounts		USD 783	USD 1,446
				284,331*	289,826*
				GBP 826	GBP 263
				361,250*	71,038*
				EURO 1,316	EURO 90
				509,039*	20,324*
		Placements		USD 8,000	USD 8,000
				2,904,880*	1,603,470*
				–	EURO 250
				–	56,715*
				GBP 52,000	GBP 18,100
				22,742,086*	4,897,782*

* LKR equivalent value
Note: Currencies not specifically mentioned are in LKR

Directors' Interest in Contracts

Company	Relationship	Nature of Transactions	Limit '000	Balance/Amount outstanding as at 31.12.2022 '000	Balance/Amount outstanding as at 31.12.2021 '000
Mr G H Wijayawardhana (appointed as a Director of the Bank of Ceylon w.e.f. 14 January 2020)					
L K Domain Registry of Sri Lanka	Founding Director	Current accounts		148	713
		Time Deposits		30,000	30,000
Mr A C M Fernando (appointed as a Director of the Bank of Ceylon w.e.f. 21 April 2020)					
Softlogic Finance PLC	Director	Current accounts		378	340
		Savings accounts		8,246	7,196
Mr R M P Rathnayake (appointed as a Director of Bank of Ceylon w.e.f. 28 April 2020)					
Securities and Exchange Commission of Sri Lanka	Ex officio Director	Current accounts		82,492	36,689
		Time Deposits		645	641
Major General (Rtd) G A Chandrasiri VSV (appointed as a Director of Bank of Ceylon w.e.f. 8 January 2021)					
Airport and Aviation Services (Pvt) Limited	Chairman	Current accounts		424,396	377,792
		Savings accounts		USD 445	USD 308
				161,560*	61,780*
		Time Deposits		8,345,544	3,237,843
		Time Deposits		USD 206,440	USD 195,879
				74,938,006*	39,318,710*
		Loans		–	266,667
		Letter of credit	5,000,000	3,553,900	2,432,000
		Letter of guarantee	20,800	20,800	20,800

* LKR equivalent amount
Note: Currencies not specifically mentioned are in LKR

Responsibility

In line with the Banking Act Direction No. 11 of 2007, section 3(8) (ii)(b), the Board of Directors presents this report on Internal Control over Financial Reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at Bank of Ceylon, ("the Bank"). In considering such adequacy and effectiveness, the Board recognises that the business of banking requires reward to be balanced with risk on a managed basis and as such the internal control systems are primarily designed with a view to highlighting any deviations from the limits and indicators which comprise the risk appetite of the Bank. In this light, the system of internal controls can only provide reasonable, but not absolute assurance, against material misstatement of financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Bank and this process includes enhancing the system of internal control over financial reporting as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board and is in accordance with the guidance for Directors of banks on the Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control over financial reporting taking into account principles for the assessment of internal control system as given in that guidance.

The Board is of the view that the system of internal controls over financial reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

Key features of the process adopted in reviewing the design and effectiveness of the internal control system over financial reporting

The vital processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Various committees are established by the Board to assist the Board in ensuring the effectiveness of Bank's daily operations and that the Bank's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- The Internal Audit Division of the Bank checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlights significant findings in respect of any noncompliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed using approved risk rating methodologies to provide an independent and objective report. The annual audit plan is reviewed and approved by the Board Audit Committee. Findings of the Internal Audit Division are submitted to the Board Audit Committee for review at their periodic meetings. Despite the challenges resulted from the pandemic and the economic crisis which prevailed during the year, the Internal Audit Division was able to uninterruptedly deliver its functions by focusing on near real-time and offsite audit methodologies in addition to traditional onsite audits. This enabled the Division to ensure continuous compliance with policies/procedures and assure the effectiveness of the internal control systems of the Bank during this challenging period.
- The Board Audit Committee of the Bank reviews internal control issues identified by the Internal Audit Division, the external auditors, regulatory authorities and the management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of the same. All minutes of the Board Audit Committee meetings are forwarded to the Board. Detail analysis of the activities undertaken by the Audit Committee of the Bank are set out in the Audit Committee Report on pages 130 to 131.
- In assessing the internal control system over financial reporting, identified officers of the Bank collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Bank. These in turn were observed and checked by the Internal Audit Division for suitability of design and effectiveness on an ongoing basis. The assessment did not include subsidiaries of the Bank.
- The Bank adopted the Sri Lanka Accounting Standard – SLFRS 9 - "Financial Instruments" with effect from 1 January 2018. In order to comply with the requirements of SLFRS 9, the Bank developed expected credit loss (ECL) models using a wide range of forecast economic scenarios to determine impairment provisions with the support of an external consultant. These models

Directors' Statement on Internal Control Over Financial Reporting

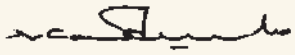
have been validated by the Internal Audit Division with the assistance of a firm of Chartered Accountants. The Bank has taken adequate measures to comply with the Directions No.13 and 14 issued by the Central Bank of Sri Lanka with regard to classification, recognition and measurement of credit facilities under SLFRS 9 effecting from 1 January 2022 and the same has been audited by the Internal Audit Division.

- The Bank is in the process of implementing an automated financial reporting solution in order to comply with the requirements of recognition, measurement, classification and disclosure of the financial instruments more effectively and efficiently and to facilitate the "Financial Statement Closure" process. This automated solution enables the calculation of impairment provisioning under SLFRS 9 - "Financial Instruments" and facilitates the fulfilling of internal and external reporting requirements.
- The Bank has considered the uncertainties in the economy during the year 2022 with special emphasis on increased inflation and interest rates as well as depreciation of the local currency. The required estimates and judgements were made giving due considerations to those areas which are more susceptible to economic uncertainties. Downgrading of sovereign rating to "RD" from "CC" were also considered when making provisions for foreign currency denominated financial instruments and loans and advances to sovereign.
- The Bank complied with the moratorium packages introduced by the Government and continuously provided relief to those affected by COVID-19 in 2022 as well. The impact of COVID-19 on the Bank's customers in risk elevated industries were also considered when assessing the impairment provisioning using the Expected Credit Loss (ECL) model under SLFRS 9 - "Financial Instruments". The Bank revised the Economic Factor Adjustment (EFA) used in calculating expected loss by incorporating the current economic condition to the EFA.
- A steering committee composing of various disciplines of the Bank monitors and coordinates the implementation of the automated financial reporting solution with special emphasis on the directions issued by the regulator for classification, recognition and measurement of credit facilities under SLFRS 9.
- The Bank is continuously monitoring and updating procedures inter-alia relating to impairment of loans and advances of the Bank and foreign branches, financial statement disclosures, risk management, related party transactions and all other significant banking activities based on the changing regulatory and market conditions. The requirements under SLFRSs/LKASs and regulatory directions have been communicated to the relevant stakeholders including the Board and senior management through training and awareness sessions.
- The comments made by the external auditors in connection with internal control system over financial reporting in previous years were reviewed during the year and appropriate steps have been taken to rectify them. The recommendations made by the external auditors in 2022 in connection with the internal control system over financial reporting will be addressed in the future.

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide a reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of Central Bank of Sri Lanka.

By order of the Board.



Chairman – Audit Committee

Chairman

Director

Colombo, Sri Lanka
31 March 2023

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The Chairman
Bank of Ceylon

Assurance Report of the Auditor General to the Board of Directors on the Directors' Statement on Internal Control of Bank of Ceylon

Introduction

This report is to provide assurance on the Directors' Statement on Internal Control over Financial Reporting ("Statement") of Bank of Ceylon included in the Annual Report for the year ended 31 December 2022.

Management's Responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued in compliance with the Section 3 (8) (ii) (b) of the Banking Act Direction No. 11 of 2007, by The Institute of Chartered Accountants of Sri Lanka.

My Responsibility and Compliance with SLSAE 3050 (Revised)

My responsibility is to assess whether the Statement is both supported by the documentation prepared by or for Directors and appropriately reflects the process the Directors have adopted in reviewing the design and effectiveness of the internal control of the Bank of Ceylon.

I conducted my engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3050 (Revised), Assurance Report for Banks on Directors' Statement on Internal Control, issued by The institute of Chartered Accountants of Sri Lanka. This Standard required that I plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control. For purpose of this engagement, I am not responsible for updating or reissuing any reports, nor have I, in the course of this engagement, performed an audit or review of the financial information.

Summary of Work Performed

I conducted my engagement to assess whether the Statement is supported by the documentation prepared by or for Directors; and appropriately reflected the process the Directors have adopted in reviewing the system of internal control over financial reporting of the Bank.

The procedures performed were limited primarily to inquiries of Bank personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3050 (Revised) does not require me to consider whether the Statement covers all risk and controls, or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050 (Revised) also does not require me to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on my judgement, having regard to my understanding of the nature of the Bank, the event or transaction in respect of which the Statement has been prepared. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Conclusion

Based on the procedures performed, nothing has come to my attention that causes me to believe that the Statement included in the Annual Report is inconsistent with my understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Bank.

W P C Wickramaratne
Auditor General

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව | இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. | No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
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8 Directors' Responsibility for Financial Reporting

This statement by the Board of Directors is made especially to distinguish the respective responsibilities of the Directors and Auditors in relation to financial reporting. The responsibility of Directors in relation to financial reporting of the Bank of Ceylon and the Group is set out in the following statement.

Financial statements

In terms of the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments read with the Banking Act No. 30 of 1988 and its amendments and Directions, the Directors of the Bank are responsible for ensuring that the Bank maintains proper books of accounts, which disclose with reasonable accuracy at any time, the financial position of the Bank and prepares proper Financial Statements for each financial year, giving a true and fair view of the state of affairs of the Bank.

The Directors affirm that in preparing the Financial Statements for the year 2022 presented in this Annual Report, the most appropriate accounting policies have been used and applied consistently supported by judgments and estimates that are reasonable and prudent. Material departures, if any, have been disclosed and explained.

The Financial Statements for the year 2022 presented in this Annual Report, are in conformity with the requirements of the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments, Banking Act No. 30 of 1988 and its amendments and Directions issued under it, the Sri Lanka Accounting Standards and other regulatory requirements. These Financial Statements reflect a true and fair view of the state of affairs of the Bank of Ceylon and the Group as at 31 December 2022.

Going concern

The Directors are of the view that the Bank and the Group have adequate resources to continue in business in the foreseeable future. Accordingly, they have continued to adopt the going concern basis in preparing the Financial Statements.

Internal controls, risk management and compliance

The Directors are also responsible for the system of internal financial controls and risk management and place considerable importance on maintaining a strong control environment to protect and safeguard the Bank's assets and prevent fraud and mismanagement.

Whilst inherent and residual risks cannot be completely eliminated, the Bank endeavors to minimise them by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and practiced within predetermined procedures and limits/boundaries.

A report by the Directors on the Bank's internal control mechanism, confirming that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, is given on page 165 and 166 of this Annual Report.

The Directors and Management have put in place, risk management policies and guidelines. Management committees have been established to monitor and manage material risks. Arrangements are in place to ensure that monthly reports on risk are submitted to the Integrated Risk Management Committee for review and discussion. Compliance with applicable laws, regulations, rules, directives and guidelines are monitored by the Independent Integrated Risk Management Division and reported to the Board.

The Audit Committee and Integrated Risk Management Committee, on an ongoing basis, have acted to strengthen the effectiveness of internal controls and risk management procedures. The reports of the Audit Committee and Integrated Risk Management Committee are included on pages 130 to 133 of this Annual Report.

Audit report

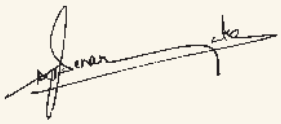
Pursuant to provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka, the Auditor General is the Auditor of the Bank and issues the final opinion on the Financial Statements of the Bank. The responsibilities of the Auditor in relation to the Financial Statements are set out in the Report of the Auditor General on pages 169 to 173 of this Annual Report. The Auditor General's certification on the effectiveness of the Bank's internal control mechanism is given on page 167 of this Annual Report.

Compliance

The Directors to the best of their knowledge and belief, are satisfied that all statutory payments, in relation to all relevant regulatory and statutory authorities, which were due and payable by the Bank and its subsidiaries as at the Statement of Financial Position date, have been paid or where relevant provided for.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By order of the Board,



Janaki Senanayake Siriwardane

Secretary
Bank of Ceylon/Secretary to the Board

31 March 2023
Colombo

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Chairman

Bank of Ceylon

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Bank of Ceylon and its subsidiaries for the year ended 31 December 2022 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

The audit of the Financial Statements of the Bank of Ceylon (the "Bank") and the Consolidated Financial Statements of the Bank and its subsidiaries (the "Group") for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. The Bank has been exempted from the provisions of Part II of the Finance Act, No. 38 of 1971 by an Order of then Minister of Finance published in the Government Gazette No. 715 of 14 May 1992 by virtue of powers vested in him by Sections 5 (1) of the said Finance Act. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Bank and the Group as at 31 December 2022, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in my audit of the Financial Statements of the Bank and the Consolidated Financial Statements of the Group of the current period. These matters were addressed in the context of my audit of the Financial Statements of the Bank and the Consolidated Financial Statements of the Group as a whole, and in forming my audit opinion thereon, and I do not provide a separate opinion on these matters.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
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Report of the Auditor General

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Key audit matter	How my audit addressed the key audit matter
Provision for impairment on financial assets carried at amortised cost Provision for impairment on financial assets carried at amortised cost as stated in Notes 28 and 29 is determined by Management in accordance with the accounting policies described in Notes 4.4.11, 28 and 29. This was a key audit matter due to the materiality of the reported provision for impairment which involved complex calculations; degree of judgements, significance of assumptions and level of estimation uncertainty associated with estimating future cash flows management expects to receive from such financial assets. Key areas of significant judgements estimates and assumptions used by Management in the assessment of the provision for impairment included the following: • management overlays to incorporate the current economic contraction. • the incorporation of forward-looking information such that expected cash flows reflect current and anticipated future external factors, in the multiple economic scenarios and the probability weighting determined for each of these scenarios.	In addressing the adequacy of the provision for impairment on financial assets carried at amortised cost, my audit procedures included the following key procedures. I assessed the alignment of the Bank's provision for impairment computations and underlying methodology including responses to market economic volatility with its accounting policies, based on the best available information up to the date of my report. • I evaluated the internal controls over estimation of impairment, which included assessing the level of oversight, review and approval of provision for impairment policies and procedures by the Board and Management. • I checked the completeness and accuracy of the underlying data used in the impairment computation by agreeing details to relevant source documents and accounting records of the Bank. • In addition to the above, the following procedures were performed: For loans and advances assessed on an individual basis for impairment: – I evaluated the reasonableness of credit quality assessments. – I checked the arithmetical accuracy of the underlying individual impairment calculations. – I evaluated the reasonableness of key inputs used in the provision for impairment made with particular focus on current economic contraction. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries, debt moratoriums and status of recovery actions of the collaterals. For financial assets assessed on a collective basis for impairment: – I tested the key inputs and the calculations used in the provision for credit impairment. – I assessed whether judgements, assumptions and estimates used by the Management when estimating future cash flows, in the underlying methodology and the management overlays were reasonable. My testing included evaluating the reasonableness of forward-looking information used based on available market data, economic scenarios considered, and probability weighting assigned to each of those scenarios. • I assessed the adequacy of the related financial statement disclosures set out in Notes 28 and 29.

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Key audit matter	How my audit addressed the key audit matter
Information Technology (IT) systems and controls over financial reporting Bank's financial reporting process is significantly reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets. Accordingly, IT systems and related internal controls over financial reporting were considered a key audit matter.	My audit procedures included the following key procedures: • I obtained an understanding of the internal control environment of the processes and test checked relevant controls relating to financial reporting and related disclosures. • I identified and test checked relevant controls of IT systems related to the Bank's financial reporting process. • I involved my specialised resources to check and evaluate the design and operating effectiveness of IT systems and relevant controls, including those related to user access and change management. • I also obtained a high-level understanding, primarily through inquiry, of the cybersecurity risks affecting the Bank and the actions taken to address these risks. • I checked source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.

1.4 Other Information Included in the Group's 2022 Annual Report

The other information comprises the information included in the Group's 2022 Annual Report, but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Bank's 2022 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

Report of the Auditor General

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1.5 Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Management determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Group is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic Financial Statements to be prepared of the Group.

1.6 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

2.1.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Bank as per the requirement of Section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The Financial Statements presented is consistent with the preceding year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The Financial Statements presented includes all the recommendations made by me in the previous year as per the requirement of Section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

2.2.1 to state that any member of the governing body of the Bank has any direct or indirect interest in any contract entered into by the Bank which are out of the normal course of business as per the requirement of Section 12 (d) of the National Audit Act, No. 19 of 2018;

2.2.2 to state that the Bank has not complied with any applicable written law, general and special directions issued by the governing body of the Bank as per the requirement of Section 12 (f) of the National Audit Act, No. 19 of 2018;

2.2.3 to state that the Bank has not performed according to its powers, functions and duties as per the requirement of Section 12 (g) of the National Audit Act, No. 19 of 2018;

2.2.4 to state that the resources of the Bank had not been procured and utilised economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of Section 12 (h) of the National Audit Act, No. 19 of 2018.

W P C Wickramaratne
Auditor General

8 Statement of Profit or Loss

For the year ended 31 December	Note	Bank 2022 LKR '000	Bank 2021 LKR '000	Bank Change %	Group 2022 LKR '000	Group 2021 LKR '000	Group Change %
Total income	7	513,149,335	290,362,494	76.7	520,891,164	297,620,853	75.0
Interest income		456,267,458	260,513,393	75.1	463,203,346	266,565,137	73.8
Less: Interest expenses		329,921,080	149,261,452	121.0	333,434,454	151,575,510	120.0
Net interest income	8	126,346,378	111,251,941	13.6	129,768,892	114,989,627	12.9
Fee and commission income		22,837,771	17,649,434	29.4	23,165,682	17,931,406	29.2
Less: Fee and commission expenses		6,486,129	3,470,032	86.9	6,505,334	3,508,619	85.4
Net fee and commission income	9	16,351,642	14,179,402	15.3	16,660,348	14,422,787	15.5
Net gains/(losses) from trading	10	17,602,384	4,742,396	271.2	17,678,455	4,813,011	267.3
Net fair value gains/(losses) from financial instruments at fair value through profit or loss	11	(804,438)	1,347,097	(159.7)	(956,745)	1,309,021	(173.1)
Net gains/(losses) from derecognition of financial assets	12	861,349	393,920	118.7	877,853	466,392	88.2
Net other operating income	13	16,384,811	5,716,254	186.6	16,922,573	6,535,886	158.9
Total operating income		176,742,126	137,631,010	28.4	180,951,376	142,536,724	27.0
Less: Impairment charge/(reversal) for loans and other losses	14	87,155,696	43,733,731	99.3	87,294,905	43,661,965	99.9
Net operating income		89,586,430	93,897,279	(4.6)	93,656,471	98,874,759	(5.3)
Less: Operating expenses							
Personnel expenses	15	28,991,429	24,981,940	16.0	31,352,978	26,925,255	16.4
Depreciation and amortisation expenses	16	4,286,899	4,146,256	3.4	4,507,368	4,239,633	6.3
Other expenses	17	14,018,161	12,552,393	11.7	15,423,966	13,866,816	11.2
Total operating expenses		47,296,489	41,680,589	13.5	51,284,312	45,031,704	13.9
Operating profit/(loss) before taxes on financial services		42,289,941	52,216,690	(19.0)	42,372,159	53,843,055	(21.3)
Less: Taxes on financial services	18.1	11,313,292	9,027,173	25.3	11,442,505	9,339,679	22.5
Operating profit/(loss) after taxes on financial services		30,976,649	43,189,517	(28.3)	30,929,654	44,503,376	(30.5)
Share of profits/(losses) of associate companies, net of tax	19	–	–	–	122,847	133,677	(8.1)
Profit/(loss) before income tax		30,976,649	43,189,517	(28.3)	31,052,501	44,637,053	(30.4)
Less: Income tax expense	18.2	(995,759)	5,599,410	(117.8)	(796,516)	5,953,659	(113.4)
Profit/(loss) for the year		31,972,408	37,590,107	(14.9)	31,849,017	38,683,394	(17.7)
Profit attributable to:							
Equity holder of the Bank		31,972,408	37,590,107	(14.9)	31,994,638	38,490,392	(16.9)
Non-controlling interest		–	–	–	(145,621)	193,002	(175.5)
Profit/(loss) for the year		31,972,408	37,590,107	(14.9)	31,849,017	38,683,394	(17.7)
Earnings per share and dividend per share	20						
Basic earnings per share (LKR)		1,278.90	1,503.60	(14.9)	1,279.79	1,539.62	(16.9)
Diluted earnings per share (LKR)		1,272.08	1,503.60	(15.4)	1,272.96	1,539.62	(17.3)
Dividend per share (LKR)		13.86	73.86	(81.2)	13.86	73.86	(81.2)

The Notes to the Financial Statements from pages 184 to 359 form an integral part of these Financial Statements.

For the year ended 31 December	Bank 2022 LKR '000	Bank 2021 LKR '000	Bank Change %	Group 2022 LKR '000	Group 2021 LKR '000	Group Change %
Profit/(loss) for the year	31,972,408	37,590,107	(14.9)	31,849,017	38,683,394	(17.7)
Items that will be reclassified to the profit or loss						
Exchange differences on translation of foreign operations	7,564,044	794,531	852.0	9,843,204	1,126,180	774.0
Net gains/(losses) on cash flow hedge instruments	22,381,369	3,239,266	590.9	22,381,369	3,239,266	590.9
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income (FVTOCI)	1,328,890	(1,246,474)	(206.6)	1,312,732	(1,256,480)	(204.5)
Net (gains)/losses on investment in financial assets at FVTOCI reclassification to profit or loss	(5,631)	(44,002)	(87.2)	(5,631)	(44,002)	(87.2)
Deferred tax effect including the effect of rate change on the opening balance	(140,185)	321,430	(143.6)	(140,185)	321,430	(143.6)
Share of other comprehensive income of Associate companies, net of tax	–	–	–	(20,342)	11,376	(278.8)
Total items that will be reclassified to the profit or loss	31,128,487	3,064,751	915.7	33,371,147	3,397,770	882.1
Items that will not be reclassified to the profit or loss						
Change in fair value on investments in equity instruments measured at fair value through other comprehensive income (FVTOCI)	(313,328)	(187,320)	67.3	547,780	(155,320)	(452.7)
Deferred tax effect including the effect of rate change on the opening balance	(586,301)	40,437	(1,549.9)	(586,301)	40,437	(1,549.9)
Changes in revaluation surplus/(deficit)	1,818,193	(284,831)	(738.3)	3,695,662	345,441	969.8
Deferred tax effect including the effect of rate change on the opening balance	(1,859,253)	979,181	(289.9)	(2,422,494)	1,144,315	(311.7)
Net actuarial gains/(losses) on defined benefit plans	(3,845,217)	6,769,360	(156.8)	(3,797,222)	6,834,355	(155.6)
Deferred tax effect including the effect of rate change on the opening balance	1,464,274	(2,024,826)	(172.3)	1,421,714	(2,040,425)	(169.7)
Total items that will not be reclassified to the profit or loss	(3,321,632)	5,292,001	(162.8)	(1,140,861)	6,168,803	(118.5)
Other comprehensive income for the year, net of tax	27,806,855	8,356,752	232.8	32,230,286	9,566,573	236.9
Total comprehensive income for the year	59,779,263	45,946,859	30.1	64,079,303	48,249,967	32.8
Attributable to:						
Equity holder of the Bank	59,779,263	45,946,859	30.1	64,189,129	48,028,306	33.6
Non-controlling interest	–	–	–	(109,826)	221,661	(149.5)
Total comprehensive income for the year	59,779,263	45,946,859	30.1	64,079,303	48,249,967	32.8

The Notes to the Financial Statements from pages 184 to 359 form an integral part of these Financial Statements.

8 Statement of Financial Position

As at 31 December	Note	Bank 2022 LKR '000	Bank 2021 LKR '000	Bank Change %	Group 2022 LKR '000	Group 2021 LKR '000	Group Change %
Assets							
Cash and cash equivalents	22	128,401,532	82,647,406	55.4	135,230,827	82,313,908	64.3
Balances with Central Banks	23	70,494,529	74,121,781	(4.9)	70,494,529	74,121,781	(4.9)
Placements with banks	24	16,459,303	4,957,417	232.0	17,811,665	5,342,369	233.4
Securities purchased under resale agreements	25	1,480,403	2,074,474	(28.6)	1,463,368	2,976,664	(50.8)
Derivative financial instruments	26	57,155,486	4,342,531	1,216.2	57,155,486	4,342,531	1,216.2
Financial assets recognised through profit or loss measured at fair value	27	10,280,055	9,230,022	11.4	10,636,190	9,640,813	10.3
Financial assets at amortised cost							
loans and advances	28	2,325,594,329	2,413,762,291	(3.7)	2,355,978,333	2,446,330,329	(3.7)
debt and other instruments	29	1,555,897,307	1,082,179,876	43.8	1,562,373,679	1,082,837,662	44.3
Financial assets measured at fair value through OCI	30	8,690,802	18,302,556	(52.5)	10,750,044	22,879,810	(53.0)
Investment in subsidiary companies	31	8,181,138	8,181,138	–	–	–	–
Investment in associate companies	32	92,988	92,988	–	684,536	595,531	14.9
Investment properties	33	2,414,640	2,414,640	–	104,798	107,704	(2.7)
Property, plant and equipment	34	34,845,004	32,757,485	6.4	50,992,323	46,944,191	8.6
Right of use assets/leasehold properties	35	3,002,305	3,137,955	(4.3)	2,624,300	2,825,719	(7.1)
Intangible assets	36	1,442,433	1,039,985	38.7	1,593,344	1,214,591	31.2
Deferred tax assets	37	15,577,466	2,152,712	623.6	15,598,541	2,213,847	604.6
Other assets	38	96,449,984	61,888,586	55.8	97,276,598	63,262,306	53.8
Total assets		4,336,459,704	3,803,283,843	14.0	4,390,768,561	3,847,949,756	14.1
Liabilities							
Due to banks	39	11,514,897	17,936,070	(35.8)	11,547,714	18,646,339	(38.1)
Securities sold under repurchase agreements	40	180,218,543	162,156,413	11.1	179,938,744	161,668,335	11.3
Derivative financial instruments	41	921,033	380,328	142.2	921,033	380,328	142.2
Financial liabilities at amortised cost							
due to depositors	42	3,334,774,261	2,866,894,010	16.3	3,358,198,424	2,886,237,094	16.4
other borrowings	43	390,489,543	444,107,977	(12.1)	397,083,583	447,875,002	(11.3)
Debt securities issued	44	–	–	–	58,807	2,107,182	(97.2)
Current tax liabilities	45	6,523,443	647,993	906.7	6,853,709	978,532	600.4
Deferred tax liabilities	37	–	–	–	2,694,221	2,153,309	25.1
Insurance provision – Life	46	–	–	–	355,190	413,743	(14.2)
Insurance provision – Non-life	46	–	–	–	662,773	526,017	26.0
Other liabilities	47	94,075,650	46,042,365	104.3	96,425,230	47,461,127	103.2
Subordinated liabilities	49	63,758,191	64,358,855	(0.9)	63,498,599	64,105,970	(0.9)
Total liabilities		4,082,275,561	3,602,524,011	13.3	4,118,238,027	3,632,552,978	13.4

As at 31 December	Note	Bank 2022 LKR '000	Bank 2021 LKR '000	Bank Change %	Group 2022 LKR '000	Group 2021 LKR '000	Group Change %
Equity							
Share capital	50	25,730,000	25,000,000	2.9	25,730,000	25,000,000	2.9
Permanent reserve fund	51	15,131,000	14,491,000	4.4	15,131,000	14,491,000	4.4
Retained earnings	52	158,616,238	136,739,177	16.0	159,819,481	138,104,222	15.7
Cashflow hedge reserve	53	25,620,635	3,239,266	690.9	25,620,635	3,239,266	690.9
Other reserves	54	29,086,270	21,290,389	36.6	45,172,451	32,972,844	37.0
Total equity attributable to equity holder of the Bank		254,184,143	200,759,832	26.6	271,473,567	213,807,332	27.0
Non-controlling interest	55	–	–	–	1,056,967	1,589,446	(33.5)
Total equity		254,184,143	200,759,832	26.6	272,530,534	215,396,778	26.5
Total liabilities and equity		4,336,459,704	3,803,283,843	14.0	4,390,768,561	3,847,949,756	14.1
Contingent liabilities and commitments	57	1,344,899,769	999,726,729	34.5	1,346,920,056	1,018,141,749	32.3
Net assets value per share (LKR)	50	10,167.37	8,030.39	26.6	10,858.94	8,552.29	27.0

The Notes to the Financial Statements from pages 184 to 359 form an integral part of these Financial Statements.

These Financial Statements give a true and fair view of the state of affairs of Bank of Ceylon and the Group as at 31 December 2022 and its profit for the year then ended.

M P Ruwan Kumara
Actg. Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board,

Ronald C Perera
Chairman

A C M Fernando
Director

W P Russel Fonseka
General Manager

24 February 2023
Colombo

8 Statement of Changes in Equity

Bank

	Note	Share capital LKR '000	Capital pending allotment LKR '000	Permanent reserve fund LKR '000	Cashflow hedge reserve LKR '000
Balance as at 1 January 2021		25,000,000	–	13,739,000	–
Total comprehensive income for the year					
Profit for the year		–	–	–	
Other comprehensive income, net of tax		–	–	–	3,239,266
Total comprehensive income for the year		–	–	–	3,239,266
Transactions with equity holder, recognised directly in equity					
Dividends for 2021	20.3	–	–	–	
Transfers to permanent reserve fund	51	–	–	752,000	
Revaluation surplus of disposed property		–	–	–	
Total transactions with equity holder		–	–	752,000	–
Balance as at 31 December 2021		25,000,000	–	14,491,000	3,239,266
Balance as at 1 January 2022		25,000,000	–	14,491,000	3,239,266
Total comprehensive income for the year					
Profit for the year		–	–	–	
Other comprehensive income, net of tax		–	–	–	22,381,369
Total comprehensive income for the year		–	–	–	22,381,369
Transactions with equity holder, recognised directly in equity					
Surcharge Tax					
Dividends for 2022	20.3	–	–	–	
Capital infusion during the year	50.1	–	730,000	–	
Transfer from OCI	54.4	–	–	–	
Transfers to permanent reserve fund	51	–	–	640,000	
Total transactions with equity holder		–	730,000	640,000	–
Balance as at 31 December 2022		25,000,000	730,000	15,131,000	25,620,635

The Notes to the Financial Statements from pages 184 to 359 form an integral part of these Financial Statements.

Other reserves				
FVOCI reserve	Other reserves	Revaluation reserve	Retained earnings	Total equity
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
1,704,356	2,550,889	16,681,190	96,983,948	156,659,383
–	–	–	37,590,107	37,590,107
(1,115,929)	794,531	694,350	4,744,534	8,356,752
(1,115,929)	794,531	694,350	42,334,641	45,946,859
–	–	–	(1,846,410)	(1,846,410)
–	–	–	(752,000)	–
–	–	(18,998)	18,998	–
–	–	(18,998)	(2,579,412)	(1,846,410)
588,427	3,345,420	17,356,542	136,739,177	200,759,832
588,427	3,345,420	17,356,542	136,739,177	200,759,832
–	–	–	31,972,408	31,972,408
283,445	7,564,044	(41,060)	(2,380,943)	27,806,855
283,445	7,564,044	(41,060)	29,591,465	59,779,263
			(6,738,542)	(6,738,542)
–	–	–	(346,410)	(346,410)
–	–	–	–	730,000
(10,548)	–	–	10,548	–
–	–	–	(640,000)	–
(10,548)	–	–	(7,714,404)	(6,354,952)
861,324	10,909,464	17,315,482	158,616,238	254,184,143

Statement of Changes in Equity

Group

	Note	Share capital LKR '000	Capital pending allotment LKR '000	Permanent reserve fund LKR '000	Cashflow hedge reserve LKR '000
Balance as at 1 January 2021		25,000,000	–	13,739,000	
Total comprehensive income for the year					
Profit for the year		–	–	–	–
Other comprehensive income, net of tax		–	–	–	3,239,266
Total comprehensive income for the year		–	–	–	3,239,266
Transactions with equity holders, recognised directly in equity					
Dividends for 2021	20.3	–	–	–	–
Subsidiary dividends to non-controlling interest		–	–	–	–
Disposal of subsidiaries		–	–	–	–
Transfers to permanent reserve fund	51	–	–	752,000	–
Revaluation surplus of disposed property		–	–	–	–
Change of non-controlling interest		–	–	–	–
Reversal of unclaimed dividend		–	–	–	–
Total transactions with equity holder		–	–	752,000	–
Balance as at 31 December 2021		25,000,000	–	14,491,000	3,239,266
Balance as at 1 January 2022		25,000,000	–	14,491,000	3,239,266
Total comprehensive income for the year					
Profit for the year		–	–	–	–
Other comprehensive income, net of tax		–	–	–	22,381,369
Total comprehensive income for the year		–	–	–	22,381,369
Transactions with equity holders, recognised directly in equity					
Surcharge tax		–	–	–	–
Dividends for 2022	20.3	–	–	–	–
Capital infusion during the year	50.1	–	730,000	–	–
Transfers from OCI		–	–	–	–
Transfers to permanent reserve fund	51	–	–	640,000	–
Change of non-controlling interest		–	–	–	–
Reversal of unclaimed dividend		–	–	–	–
Total transactions with equity holder		–	730,000	640,000	–
Balance as at 31 December 2022		25,000,000	730,000	15,131,000	25,620,635

The Notes to the Financial Statements from pages 184 to 359 form an integral part of these Financial Statements.

Attributable to equity holder of the Bank					
Other reserves					
FVOCI reserve LKR '000	Other reserves LKR '000	Revaluation reserve LKR '000	Retained earnings LKR '000	Non-controlling interest LKR '000	Total equity LKR '000
2,573,148	4,060,608	24,853,005	97,463,266	1,267,787	168,956,814
–	–	–	38,490,392	193,002	38,683,394
(1,089,736)	1,126,180	1,468,637	4,793,566	28,660	9,566,573
(1,089,736)	1,126,180	1,468,637	43,283,958	221,662	48,249,967
–	–	–	(1,846,410)	–	(1,846,410)
–	–	–	–	(10,280)	(10,280)
–	–		(64,923)	(6,142)	(71,065)
–	–	–	(752,000)	–	–
–	–	(18,998)	18,998	–	–
–	–	–	–	116,419	116,419
–	–	–	1,333	–	1,333
–	–	(18,998)	(2,643,002)	99,997	(1,810,003)
1,483,412	5,186,788	26,302,644	138,104,222	1,589,446	215,396,778
1,483,412	5,186,788	26,302,644	138,104,222	1,589,446	215,396,778
–	–	–	31,994,638	(145,621)	31,849,017
1,111,492	9,843,204	1,255,459	(2,397,033)	35,795	32,230,286
1,111,492	9,843,204	1,255,459	29,597,605	(109,826)	64,079,303
–	–	–	(7,042,422)		(7,042,422)
–	–	–	(346,410)	–	(346,410)
–	–	–	–	–	730,000
(10,548)	–	–	10,548	–	–
–	–	–	(640,000)	–	–
–	–	–	134,511	(422,653)	(288,142)
–	–	–	1,427	–	1,427
(10,548)	–	–	(7,882,346)	(422,653)	(6,945,547)
2,584,356	15,029,992	27,558,103	159,819,481	1,056,967	272,530,534

8 Statement of Cash Flows

For the year ended 31 December	Note	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Cash flows from operating activities					
Profit before income tax		30,976,649	43,189,517	31,052,501	44,637,053
Adjustments for:					
Net interest income	8	(126,346,378)	(111,251,941)	(129,768,892)	(114,989,627)
Dividend income	10/13	(450,977)	(302,564)	(515,426)	(391,238)
Dividends from subsidiaries and associates	13	(107,430)	(394,454)	–	–
Share of (profits)/losses of associate companies, net of tax	19	–	–	(122,847)	(133,677)
Change in operating assets	56.1	(392,658,229)	(495,708,888)	(389,853,461)	(497,153,928)
Change in operating liabilities	56.2	510,080,706	535,337,949	517,045,767	535,950,023
Other non-cash items included in profit before tax	56.3	105,190,513	46,351,388	105,731,706	46,385,644
Other net gains from investing activities		(56,912)	(1,741,017)	72,145	(1,775,413)
		126,627,942	15,479,990	133,641,493	12,528,837
Benefit paid from defined benefit plans		(11,204,969)	(8,890,151)	(11,275,993)	(8,897,006)
Interest received		289,089,403	193,501,226	295,198,149	199,239,746
Interest paid		(177,094,051)	(136,973,421)	(180,307,490)	(138,568,991)
Dividends received		73,282	75,792	73,282	126,157
Net cash from/(used in) operating activities before income tax		227,491,607	63,193,436	237,329,441	64,428,743
Income tax paid	45	(5,500,380)	(8,166,811)	(5,796,331)	(8,399,520)
Surcharge tax paid		(6,738,542)	–	(7,042,422)	–
Net cash from/(used in) operating activities		215,252,685	55,026,625	224,490,688	56,029,223
Cash flows from investing activities					
Net increase in financial investments at amortised cost		(136,219,260)	(345,016,186)	(142,193,560)	(344,484,560)
Net increase in financial assets measured at fair value through OCI		10,731,712	(4,346,097)	14,095,845	(6,339,860)
Investment in subsidiary companies		–	(1,668,090)	–	–
Proceeds from sale of subsidiary companies		–	–	–	180,550
Purchase of property, plant and equipment		(2,243,640)	(1,771,198)	(2,301,746)	(1,900,544)
Purchase of intangible assets		(1,027,211)	(471,365)	(1,039,078)	(471,365)
Proceeds from sale of property, plant and equipment		1,414	21,998	8,748	102,831
Dividends received		485,126	621,226	448,891	265,081
Interest received		115,497,384	53,951,314	116,324,524	54,264,536
Net cash from/(used in) investing activities		(12,774,475)	(298,678,398)	(14,656,376)	(298,383,331)

For the year ended 31 December	Note	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Cash flows from financing activities					
Net increase in other borrowings		(64,302,108)	245,235,448	(61,175,038)	245,076,637
Proceeds from issue of shares		730,000	–	730,000	233,902
Proceeds from issue of debentures/capital bonds		6,490,000	8,750,000	6,557,700	8,500,000
Payments on redemption of debentures		(8,103,950)	(9,232,254)	(10,211,132)	(9,222,244)
Dividends paid to equity holder of the Bank		(346,410)	(1,846,410)	(346,410)	(1,846,410)
Dividends paid to non-controlling interest		–	–	–	(10,280)
Payments for repurchase of shares		–	–	(287,910)	–
Interest payments on borrowings and debt securities		(85,222,144)	(16,443,988)	(85,537,678)	(17,165,671)
Net cash from/(used in) financing activities		(150,754,612)	226,462,796	(150,270,468)	225,565,934
Net increase/(decrease) in cash and cash equivalents during the year		51,723,598	(17,188,977)	59,563,844	(16,788,174)
Cash and cash equivalents at the beginning of the year		66,789,233	83,978,210	65,745,466	82,533,640
Cash and cash equivalents at the end of the year		118,512,831	66,789,233	125,309,310	65,745,466
Analysis of cash and cash equivalents					
Cash and cash equivalents	22	128,401,532	82,647,406	135,230,827	82,313,908
Bank overdrafts	39	(9,888,701)	(15,858,173)	(9,921,517)	(16,568,442)
Cash and cash equivalents at the end of the year		118,512,831	66,789,233	125,309,310	65,745,466

The Notes to the Financial Statements from pages 184 to 359 form an integral part of these Financial Statements.

8 Notes to the Financial Statements

1 Reporting Entity

1.1 Corporate information

Bank of Ceylon ("The Bank") is a Government-owned bank domiciled in Sri Lanka, duly incorporated on 1 August 1939 under the Bank of Ceylon Ordinance No. 53 of 1938. It is a licensed commercial bank established under the Banking Act No. 30 of 1988 and amendments thereto. The Registered Office of the Bank is situated at "BoC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01, Sri Lanka. The debentures issued by the Bank are listed on the Colombo Stock Exchange. The staff strength of the Bank as at 31 December 2022 was 8,209 (2021- 8,337).

1.2 Consolidated financial statements

The Consolidated Financial Statements are prepared as at and for the year ended 31 December 2022 comprise the Bank ("Parent"), its Subsidiaries (together referred to as the "Group" and individually as ("Group Entities") and the Group's interests in its Associate companies. The Financial Statements of the companies in the Group have a common financial year which ends on 31 December, except the Associate companies, Transnational Lanka Records Solutions (Private) Limited and Ceybank Asset Management Limited. The Bank is the ultimate parent of the Group.

1.3 Principal activities

1.3.1 Bank

The principal activities of the Bank during the year were, personal banking, corporate banking, development banking, off-shore banking, trade financing, lease financing, primary dealing, investment banking and wealth management, treasury operations, correspondent banking and money remittances, Islamic banking, bancassurance, pawning, credit card facilities, foreign currency operations and other financial services.

1.3.2 Subsidiaries

The principal activities of the Subsidiaries of the Bank are as follows:

Name of the Company	Principal Business Activities
Property Development Limited	Own, maintain and manage, develop and sustain the utility and value of the Bank of Ceylon head office building.
Merchant Bank of Sri Lanka & Finance PLC	Leasing, hire purchase, corporate and retail credit facilities, corporate advisory services, capital market operations, margin trading, microfinancing, agricultural credit facilities, real estate, pawning, Islamic finance and accepting deposits.
Bank of Ceylon (UK) Limited	Authorised commercial bank by the Prudential Regulation Authority and regulated by the Financial Conduct Authority in England and Wales, engages in retail and corporate banking, treasury operations, correspondent banking services and trade financing activities.
BoC Property Development & Management (Private) Limited	Renting of office space of BoC Merchant Tower in Colombo 03 and Ceybank House in Kandy.
BoC Travels (Private) Limited	Engages in travel related services.
Hotels Colombo (1963) Limited	Provides hotel services.
Ceybank Holiday Homes (Private) Limited	Managing, operating and maintaining of travel rests/ hotels/rest houses/guest houses.
MBSL Insurance Company Limited	Carrying on insurance business, both life and non-life insurance.
BoC Management & Support Services (Private) Limited	Not in operation.

1.3.3 Associates

The principal activities of the Associates of the Bank are as follows:

Name of the Company	Principal Business Activities
Ceybank Asset Management Limited	Management of unit trust funds and other institutional and private portfolios.
Lanka Securities (Private) Limited	Registered stock broker, trading in equity and debt securities, equity debt security brokering and undertaking placement of equity and debt securities.
Transnational Lanka Records Solutions (Private) Limited	Renting buildings and hiring other assets.
Southern Development Financial Company Limited.	Not in operation and in the process of liquidation.

BoC Management & Support Services (Private) Limited (MSS) has not carried out its core business activities since 2007. Southern Development Financial Company Limited (SDFCL) is also not in operations. The Board of Directors of SDFCL has decided to wind-up the company and it is in the process of liquidation.

2 Directors' responsibility for financial statements

2.1 Preparation and presentation of the financial statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Bank and its Subsidiaries and Associates in compliance with the requirements of the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments, Banking Act No. 30 of 1988 and its amendments thereto and Sri Lanka Accounting Standards (SLFRSs and LKASs). These Financial Statements comprise.

- Statement of Profit or Loss
- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the Financial Statements

2.2 Approval of financial statements

The Financial Statements for the year ended 31 December 2022 were authorised for issue on 24 February 2023 by the Board of Directors.

3 Basis of preparation

3.1 Statement of compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Bank have been prepared in accordance with Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka (together referred to as SLFRSs in these Financial Statements).

The preparation and presentation of these Financial Statements are in compliance with the requirements of the Bank of Ceylon Ordinance No. 53 of 1938, the Banking Act No. 30 of 1988, the Companies Act No. 07 of 2007 and regulatory guidelines issued by the Central Bank of Sri Lanka (CBSL). The Group has prepared Financial Statements which comply with SLFRSs applicable for the year ended 31 December 2022, together with the comparative year data as at and for the year ended 31 December 2021, as described in the accounting policies.

The formats used in the preparation and presentation of the Financial Statements and the disclosures made therein also comply with the specified formats prescribed by the Central Bank of Sri Lanka (CBSL) in the Circular No. 02 of 2019 on "Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks".

3.2 Basis of measurement

The Financial Statements have been prepared on the basis of historical cost convention and no adjustments have been made for inflationary factors which has been applied on a consistent basis, except for the following:

- Derivative financial instruments are measured at fair value (Notes 26 and 41)
- Financial assets recognised through profit or loss – measured at fair value (Note 27)
- Financial assets measured at fair value through other comprehensive income (Note 30)
- Owner-occupied freehold land and buildings and buildings on leasehold lands are measured at revalued amount less any subsequent accumulated depreciation and impairment losses (Note 34)
- Defined benefit obligations are actuarially valued and recognised at the present value of the defined benefit obligation less total of the fair value of plan assets (Note 48)
- Cash flow hedge reserve, accounted as per the hedge accounting (Note 53)

3.3 Presentation of financial statements

Items in the Statement of Financial Position of the Bank and the Group are grouped by nature of such item and presented broadly in order of their relative liquidity and maturity pattern. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 60 – "Maturity Analysis of Assets and Liabilities".

3.3.1 Functional and presentation currency

Items included in the Financial Statements are measured and presented in Sri Lankan Rupees ("LKR") which is the functional currency of the primary economic environment in which the Bank operates.

3.3.2 Accrual basis of accounting

The Financial Statements, except for information on Statement of Cash Flows have been prepared following the accrual basis of accounting.

3.3.3 Offsetting

Financial assets and financial liabilities are generally reported gross in the Statement of Financial Position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business.
- The event of default.
- The event of insolvency or bankruptcy of the Bank/Group and/or its counterparties.

Notes to the Financial Statements

Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by any accounting standard or interpretation and as specifically disclosed in the accounting policies of the Group.

3.3.4 Comparative information

The comparative information is provided in narrative and descriptive nature, if it is relevant to understand the current period's Financial Statements and reclassified wherever necessary to conform to the current year's presentation.

3.3.5 Materiality and aggregation

In compliance with LKAS 1 – "Presentation of Financial Statements", each material class of similar items are presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately unless they are immaterial.

3.3.6 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest Rupees thousands, except where otherwise indicated as permitted by the LKAS 1 – "Presentation of Financial Statements".

3.3.7 Statement of cash flows

The Statement of Cash Flows is prepared by using the "Indirect Method" in accordance with the LKAS 7 – "Statement of Cash Flows" whereby the profit is adjusted to derive the cash flows from operating activities. Cash and cash equivalents comprise cash in hand, other short term highly liquid investments with maturity less than seven days from date of acquisition and bank overdrafts.

3.3.8 Use of significant accounting judgements, estimates and assumptions

The preparation of the Financial Statements requires Management to exercise judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The judgements, estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and/or in future periods if the revision affects future periods too. In the process of applying the Group's accounting policies, Management has made the following judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the Financial Statements. The accounting policies which are most sensitive to the use of judgements, estimates and assumptions are specified below.

3.3.8.1 Going concern

The Management has made an assessment on the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis. Accordingly, the Management satisfied itself that the going concern basis is appropriate.

3.3.8.2 Commitment and contingent liabilities

All discernible risks are accounted for in determining the amount of all known and measurable liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its considered remote that the Group will be liable to settle the possible obligation.

3.3.8.3 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where the classification of a financial asset or liability results in it being measured at fair value, wherever possible, the fair value is determined by reference to the quoted bid or offer price in the most advantageous active market to which the Group has immediate access. An adjustment for credit risk is also incorporated into the fair value as appropriate. Fair value for a net open position that is a financial liability quoted in an active market is the current offer price, and for a financial asset the bid price, multiplied by the number of units of the instrument held or issued. Where no active market exists for a particular asset or liability, the Group uses a valuation technique that include the use of mathematical models to arrive at the fair value, including the use of transaction prices obtained in recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques based on market conditions and risks existing at reporting date. In doing so, fair value is estimated using a valuation technique that makes maximum use of observable market inputs and places minimal reliance upon entity-specific inputs.
The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables

include only data from observable markets. When such evidence exists, the Group recognises the difference between the transaction price and the fair value in profit or loss on initial recognition (i.e. on day one). The valuations of financial instruments are described comprehensively in Note 63. Determination of the fair value of financial instruments of the Group were not materially affected by the significant volatility in financial markets created by the COVID–19 pandemic.

3.3.8.4 Impairment charge for loans and advances

The measurement of impairment charge under SLFRS 9- "Financial Instruments" requires judgement by Management in identification and estimation of the amount and timing of future cash flows when determining an impairment charge for loans and advances. Accordingly, the Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment charge should be provided in the Statement of Profit or Loss. In particular, the Management's judgement is required in identification and estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgements about the borrower's financial position, the net realisable value of collateral and other related factors. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance. A collective impairment provision is established for the groups of homogeneous loans and advances that are not considered individually significant and groups of loans that are individually significant but that were not found to be individually impaired. A collective assessment of impairment takes into account the data from loan portfolio (such as credit quality, levels of arrears, credit utilisation, etc.), concentrations of risk and economic data (including levels of unemployment, inflation, GDP growth rate and country rating) and the performance of different individual group. The impairment requirements in SLFRS 9 – "Financial Instruments" are based on an expected credit loss (ECL) model and it is reflected the general pattern of deterioration or improvement, in the credit quality of financial instruments. The Group calculates ECLs either on a collective or an individual basis. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition and measured under following bases:

- 12-month ECLs (Stage 1), which apply to all items as long as there is no significant deterioration in credit risk.
- Lifetime ECLs (Stages 2 and 3), which apply when a significant increase in credit risk has occurred on an individual or collective basis.

Further, the Group makes additional judgements and estimates with regard to the following under ECL model.

- The Group's criteria for assessing if there has been a significant increase in credit risk and so impairment for financial assets should be measured on a lifetime ECL basis.
- Development of ECL models, including various formula and the choice of inputs.
- Determination of association between macroeconomic inputs, such as GDP growth, inflation, interest rates, exchange rates and unemployment with the effect on probability of default (PDs), exposure at default (EAD) and loss given default (LGD).
- Selection of forward-looking macroeconomic scenarios and their probability weightings to derive the economic inputs into the ECL model.

The economic scenarios and forward-looking macroeconomic assumptions underpinning the collective provision calculation are outlined in Note 4.4.11

As per SLFRS 9 – "Financial Instruments", the collective provision for groups of homogeneous loans is established using statistical methods or, a formula approach based on historical loss rate experience, using the statistical analysis of historical data on delinquency to estimate the amount of loss. Management applies judgement to ensure that the estimate of loss arrived at, on the basis of historical information is appropriately adjusted to reflect the economic conditions and portfolio factors as at the reporting date. The loss rates are regularly reviewed against, actual loss experience. It has been the Group's policy to regularly review its model in the context of actual loss experience and adjust when necessary. The accuracy of the provision depends on the model assumptions and parameters used in determining the impairment. Details of impairment losses on loans and advances are given in Note 14.

3.3.8.5 Impairment of investment in subsidiaries, other financial assets and non-financial assets

The Group and the Bank follow the guidance of LKAS 36 – "Impairment of Assets" and SLFRS 9 – "Financial Instruments" in determining whether an investment or a financial asset is impaired. Determination and identification of impairment indicators require the Group and the Bank to evaluate duration and extent to which the fair value of an investment for a financial asset is less than its cost and the financial stability of the near term business outlook of the investment or the financial asset, considering the factors such as performance of the sector and industry, technology and operational environmental changes along with future cash flows. This process involves with significant judgement in aforesaid areas.

3.3.8.6 Defined benefit obligation

The cost of the defined benefit pension plans and other post- employment benefit plans are determined using an actuarial valuation. An actuarial valuation involves making various assumptions determining the discount rates, expected rates of return on planned assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, the Group considers the interest rates of Sri Lanka Government Bonds with maturities corresponding to the expected duration of the Defined Benefit Obligation. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on inflation rate and salary increase rates of the Group. All assumptions are reviewed at each reporting date and assumptions used in the year are given in Note 48.

3.3.8.7 Fair value of land and buildings

The freehold land and buildings and the buildings on leasehold land of the Group are reflected at fair value less accumulated depreciation. The Group engaged independent valuation specialists to determine fair value of such properties in terms of the SLFRS 13 – "Fair Value Measurement". The details of valuation of freehold land and buildings and the buildings on leasehold land are given in Note 34.

3.3.8.8 Useful life of the property, plant and equipment and intangible assets

The Group reviews the residual values, useful lives and methods of depreciation of property, plant and equipment and intangible assets at each reporting date. Judgement of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. The details of the depreciation methods and rates used for each assets category are given in Note 34.

3.3.8.9 Classification of investment properties

Management is required to use its judgement to determine whether a property qualified as an investment property. A property that is held to earn rentals or for capital appreciation or both and which generates cash flows largely independently of the other assets held by the Group are accounted for as investment properties. On the other hand, properties that are used for operations or for the process of providing services or for administration purposes and which do not directly generate cash flows as stand-alone assets are accounted as property, plant and equipment.

3.3.8.10 Determination of control over investees

Subsidiaries are entities that are controlled by the Bank, control is achieved when the Bank is exposed, or has rights to variable returns from its involvement with the invitee and has the ability to affect the returns of those investees through its power over the investee. The Management applies its judgements to determine the Bank controls over its investees.

3.3.8.11 Taxation

The Group is subject to income tax, value added tax (VAT) and other applicable taxes. A judgement is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exists with respect to the interpretation of the applicable tax laws at the time of preparing these Financial Statements. The details on the applicable tax rates and other information are given under Notes 4.8, 18, and 37. The Group is subject to transfer pricing regulations and it is necessitated using management judgement to determine the impact of transfer pricing regulations. Accordingly, critical judgements and estimates were used in applying the regulations in aspects including but not limited to identifying associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgements. Differences between estimated income tax charge and actual payable may arise as a result of variances between Management's interpretation and application of tax regulation.

4 Significant accounting policies

The significant accounting policies applied by the Bank and the Group in preparation of its Financial Statements are included below and have been consistently applied to all periods presented in the Financial Statements of the Group and the Bank, unless otherwise indicated.

4.1 Basis of consolidation

The Group's Financial Statements comprise consolidation of the Financial Statements of the Bank and its Subsidiaries in terms of SLFRS 10 – "Consolidated Financial Statements" and LKAS 27 – "Consolidated and Separate Financial Statements" and the proportionate share of the profit or loss and net assets of its Associates in terms of the Sri Lanka Accounting Standard LKAS 28 – "Investments in Associates and Joint Ventures". The Bank's Financial Statements comprise the amalgamation of the Financial Statements of the Domestic Banking Unit, the Off-shore Banking Unit and the Overseas Operations of the Bank. The detailed accounting policies pertaining to the consolidation of subsidiaries and associates are given in the Notes 31 and 32.

4.1.1 Business combinations

The Group determines whether a transaction or other event is a business combination by applying the definition in SLFRS 3 – "Business Combinations", which requires that the assets acquired and liabilities assumed constitute a business. Business combinations are accounted for using the acquisition

method. As of the acquisition date, the amount of non-controlling interest is measured either at fair value or at the non-controlling interests' proportionate share of the acquirer's identifiable net assets. Acquisition related cost are costs the acquirer incurs to effect a business combination. Those costs include finder's fees, advisory, legal, accounting, valuation, other professional consulting fees, general administrative costs including the cost of maintaining an Internal Acquisition Department and cost of registering and issuing debt and equity securities. Acquisition related costs, other than those associated with the issue of debt or equity securities are expensed in the periods in which the costs are incurred and the services are received. The Group elects on a transaction by transaction basis whether to measure non-controlling interests at its fair value or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred.

4.1.2 Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest (NCI) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. Further, the Bank's share of components previously recognised in Other Comprehensive Income (OCI) is reclassified to profit or loss or retained earnings as appropriate. Any surplus or deficit arising on the loss of control is recognised in the profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

4.2 Foreign currency translations

4.2.1 Foreign currency transactions and balances

At the initial recognition, transactions in foreign currency are translated into the functional currency of the operation which is Sri Lankan Rupees (LKR) at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currency at the reporting date are retranslated into the functional currency at the spot exchange rate at that date and all differences arising on non-trading activities are taken to "Net other operating income" (Note 13) in the Statement of Profit or Loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial recognition. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are retranslated into the functional currency at the spot exchange rate including any exchange gain or loss component at the date on which the fair value is determined. Gain or loss on a non-monetary item including exchange component is recognised in Other Comprehensive Income. Forward exchange contracts are valued at the forward market rates ruling on the reporting date and resulting net unrealised gains or losses are dealt within the Statement of Profit or Loss.

4.2.2 Foreign operations

The results and financial position of foreign operations, whose functional currencies are not Sri Lankan Rupees, are translated into Sri Lankan Rupees as follows:

The assets and liabilities of foreign operations are translated into Sri Lankan Rupees at spot exchange rate as at the reporting date.

The income and expenses of foreign operations are translated at average rate for the period. Foreign currency differences on the translation of foreign operations are recognised in Other Comprehensive Income.

When a foreign operation is disposed off, the relevant amount in the translation reserve is transferred to the profit or loss as part of the profit or loss on disposal in other operating income or other operating expenses.

4.2.3 Hedge accounting

The Bank enters into hedging arrangements with the counterparties in order to mitigate the foreign exchange risk from foreign currency transactions. According to the SLFRS 9, an entity may designate an item in its entirety or a component of an item as the hedged item in a hedging relationship. A hedging relationship qualifies for hedge accounting only if the hedging relationship consists only of eligible hedging instruments and eligible hedged items.

At the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements, including its analysis of the sources of hedge ineffectiveness and how it determines the hedge ratio. SLFRS 9 – "Financial Instruments" enables hedge accounting for three different designated categories, namely cash flow hedge (designated for a highly probable forecasted transaction, a firm commitment (not recorded on the balance sheet), foreign currency cash flows of a recognised asset or liability, or a forecasted intercompany transaction).

Notes to the Financial Statements

Fair value hedge (designated for a firm commitment (not recorded) or foreign currency cash flows of a recognised asset or liability). Net investment hedge (designated for the net investment in a foreign operation). The Bank accounts the similar transactions, under hedge accounting treatment specified in the SLFRS 9 – "Financial Instruments" and were valued using forward exchange rates as of each reporting date of such instruments.

4.3 Classification of financial instruments between debt and equity

Classification of financial instruments between debt and equity depends on following characteristics of such instruments:

- Name or labels given to the instruments
- Presence or absence of a fixed maturity date
- Life of the instrument
- Source of payments
- Right to enforce payments
- Rights to participate in Management
- Risk involved in the instruments
- Volatility of cash flows
- Securities given as collaterals

4.4 Financial assets and financial liabilities

4.4.1 Recognition and derecognition of financial instruments

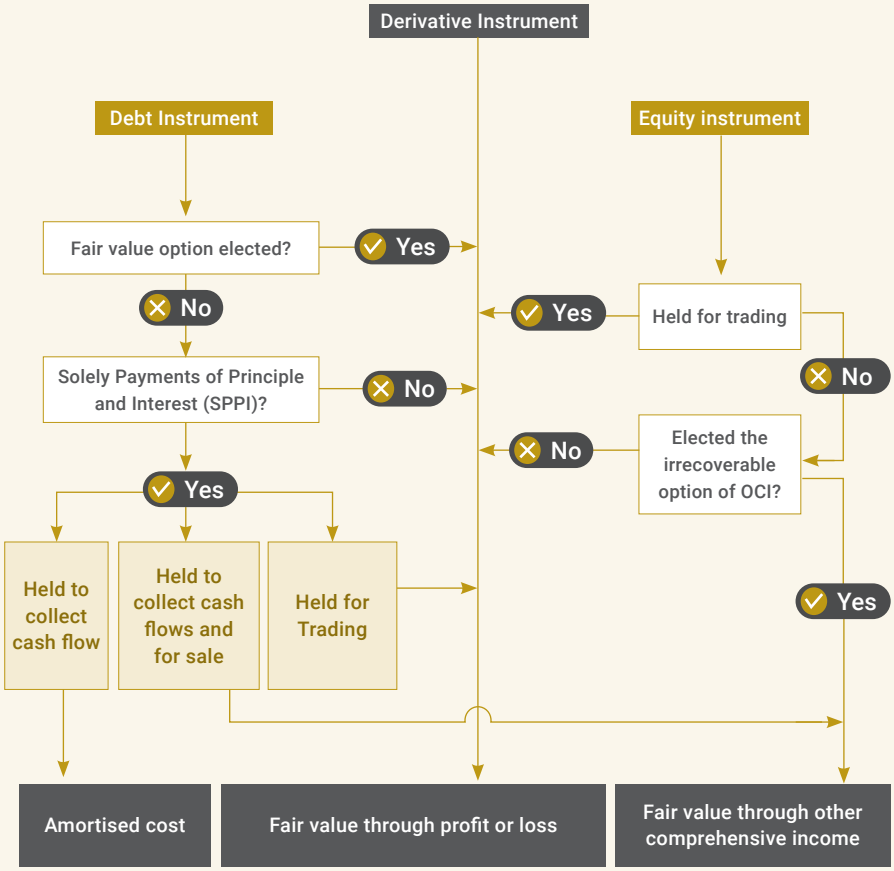
All financial assets and liabilities are initially recognised on the settlement date, i.e. the date that the Group becomes a party to the contractual provisions of the instrument. This includes; "regular way trades". Regular way trade means purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and receivables are recognised when cash is advanced (or settled) to the borrowers. Financial assets at fair value through profit or loss are recognised initially at fair value. All other financial assets are recognised initially at fair value plus directly attributable transaction costs.

The Group derecognises a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

4.4.2 Classification of financial assets and financial liabilities

As per SLFRS 9 – "Financial Instruments", the classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets' cash flows. The following diagram depicts how the Bank classifies the financial assets.



4.4.2.1 At the inception, the financial assets are classified in one of the following categories

- Financial assets measured at fair value through profit or loss (Notes 4.4.7 and 27)
- Financial assets at amortised cost
  - Financial assets at amortised cost – loans and advances (Note 28)
  - Financial assets at amortised cost - debt and other instruments (Notes 4.4.8 and 29)
- Financial assets measured at fair value through other comprehensive income (Notes 4.4.9 and 30).

4.4.2.2 At the inception, the financial liabilities are classified in one of the following categories

- Financial liabilities at amortised cost
  - Financial liabilities at amortised cost – due to depositors (Note 42)
  - Financial liabilities at amortised cost – other borrowings and subordinated liabilities (Notes 43 and 49)

4.4.3 Initial measurements of financial instruments

Financial assets and liabilities are initially measured at their fair value plus transaction cost, except in the case of financial assets and liabilities recorded at fair value through profit or loss. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are dealt with in the Statement of Profit or Loss.

4.4.4 "Day One" profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a "Day One" profit or loss) in the Statement of Profit or Loss. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Statement of Profit or Loss over the life of the instrument.

4.4.5 Business model assessment

With effect from 1 January 2018, as per SLFRS 9 – "Financial Instrument", the Group classifies all of its financial assets based on the business model and makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument by – instrument basis because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether Management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

4.4.6 Assessment of whether contractual cash flow characteristics are met the Solely Payments of Principal and Interest (SPPI test)

As a second step of assets classification process, the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

"Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In contrast, contractual terms that introduce a more than de minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. In such cases, the financial asset is required to be measured at fair value through profit and loss.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money

4.4.7 Financial assets measured at fair value through profit or loss

Items at fair value through profit or loss comprise:

- Items held for trading purpose;
- Items specifically designated as fair value through profit or loss on initial recognition; and
- Debt instruments with contractual terms that do not represent solely payments of principal and interest.

Financial instruments held at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in the Statement of Profit or Loss as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the Statement of Profit or Loss as they arise. Where a financial asset is measured at fair value, a credit valuation adjustment is included to reflect the credit worthiness of the counterparty, representing the movement in fair value attributable to changes in credit risk.

4.4.7.1 Financial instruments held for trading purpose

A financial instrument is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative not in a qualifying hedge relationship. Trading derivatives and trading securities are classified as held for trading and recognised at fair value in the Statement of Financial Position. Changes in fair value are recognised in "Net gains/(losses) from trading" (Note 10) and "Net fair value gains/(losses) from financial instruments at fair value through profit or loss" (Note 11). Interest income from financial instruments held for trading is recorded under "Net interest income" (Note 8) while dividend income is recorded in "Net gains/(losses) from trading" (Note 10) when the right to payment has been established.

4.4.7.2 Financial instruments designated and measured at fair value through profit or loss

Upon initial recognition, financial instruments may be designated and measured at fair value through profit or loss. A financial asset may only be designated at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e. eliminates an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities on a different basis. A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch or:

- If a host contract contains one or more embedded derivatives; or
- If financial assets and liabilities are both managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy. Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income. As of 31 December 2022, there were no any financial liability designated at fair value through profit or loss.

4.4.7.3 Debt instruments with contractual terms that do not represent the solely payments of principal and interest

Financial debt instruments which are not meet solely payments of principal and interest test will be classified as fair value through profit or loss.

4.4.8 Financial assets measured at amortised cost-debt instruments

Investments in debt instruments are measured at amortised cost where they have:

- Contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- Are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using effective interest rate (EIR). The measurement of credit impairment is based on the three stage expected credit loss model described below in Note 4.4.11 Impairment of financial assets.

4.4.9 Financial assets measured at fair value through other comprehensive income

4.4.9.1 Debt instruments

Investments in debt instruments are measured at fair value through other comprehensive income where they have:

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

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in Other Comprehensive Income within a separate component of equity. Impairment losses or reversals, interest revenue and foreign exchange gains and losses are recognised in profit or loss. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss.

The measurement of credit impairment is based on the three stage expected credit loss model as applied to financial assets at amortised cost. The expected credit loss model is described below in Note 4.4.11 Impairment of financial assets.

4.4.9.2 Equity instruments

Investment in equity instruments that are neither held for trading nor contingent consideration recognised by the Group in a business combination to which SLFRS 3 – "Business Combination" applies, are measured at fair value through other comprehensive income, where an irrevocable election has been made by management. For portfolios where management does not consider an irrevocable election of adopting fair value through other comprehensive income, by default such investments shall be measured at fair value through profit or loss.

Upon derecognition, the cumulative gain or loss recognised in Other Comprehensive Income are not transferred to profit or loss. However, cumulative gain or loss recognised full derecognition will be transferred from Other Comprehensive Income reserve to retained earnings within the equity. Dividends on such investments are recognised in "Net other operating income" (Note 13) in the profit or loss.

4.4.10 Reclassification of financial assets

The Group reclassifies its financial assets when, and only when, the Group changes its business model for managing financial assets. If the Group reclassifies financial assets which were measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, the Group applies the reclassification prospectively from the reclassification date. The Group does not restate any previously recognised gains, losses (including impairment losses) or interest.

The table below summaries the treatment of gains and losses on reclassification:

Initial Measurement	Measurement after reclassification	Treatment on reclassification
Fair value through profit or loss	Amortised cost	Fair value at the reclassification date becomes its new gross carrying amount. The effective interest rate is calculated on the basis of that amount. For the purpose of applying the impairment requirements, the reclassification date is treated as the date of initial application.
Fair value through profit or loss	Fair value through other comprehensive income	The fair value of the financial asset at the reclassification date becomes its new carrying amount and the effective interest rate is determined on the basis of the fair value of the asset at the reclassification date.
Fair value through other comprehensive	Amortised cost	The cumulative gain or loss previously recognised in Other Comprehensive Income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.
Fair value through other comprehensive income	Fair value through profit or loss	The fair value of the financial asset at the reclassification date becomes its new carrying amount. The cumulative gain or loss previously recognised in Other Comprehensive Income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.
Amortised cost	Fair value through profit or loss	Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value at the reclassification date is recognised in profit or loss.
Amortised cost	Fair value through other comprehensive income	Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value at the reclassification date is recognised in Other Comprehensive Income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

4.4.10.1 Upgrading of financial instruments

According to the Direction No. 14 of 2021, the Bank can upgrade Financial Instruments from a higher stage in accordance with a policy approved by the Board of Directors. Therefore, the Bank will upgrade the Financial Instruments to a higher stage with the consent of the Chief Risk Officer with the proper rational for such upgrade.

4.4.11 Impairment of financial assets

The Group applies a three-stage approach in measuring expected credit loss (ECL) for the following categories of financial assets that are not measured at fair value through profit or loss:

- Debt instruments measured at amortised cost and fair value through other comprehensive income;
- Loan commitments; and
- Financial guarantee contracts.

No ECL is recognised on equity investments.

The Group performs an assessment at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on this process financial assets migrate through the following three stages based on the change in credit risk since initial recognition.

4.4.11.1 Stage 1: 12 months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised. The Bank determines 12 months ECL from customers whom are not significantly credit deteriorated.

4.4.11.2 Stage 2: Lifetime ECL

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

4.4.11.3 Stage 3: Lifetime ECL

Exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

4.4.11.4 Calculation of ECL

The Group calculates ECL based on a three probability weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the effective interest rate (EIR). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations of the Group are outlined below and the key elements are, as follows:

Probability of default (PD)

PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously recognised and is still in the portfolio. The concept of PDs is further explained in Note 28.

Exposure at default (EAD)

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 28.

Loss given default (LGD)

LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 28.

4.4.11.5 Determining the stage for impairment

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12 months ECL. Exposures that have not deteriorated

significantly since origination, or where the deterioration remains within the Group's investment grade criteria, or which are less than 30 days past due, are considered to have a low credit risk. The impairment provision for these financial assets is based on a 12 months ECL.

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account of instrument type, credit risk ratings, collateral type, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

4.4.11.6 Impairment calculation for loans and advances

The Bank uses rebuttable presumption in calculating the impairment for loans and advances which is permitted under SLFRS 9 – "Financial Instruments" . The loan portfolio is classified into three stages based on the past due days as follows and the level of applicability of 12 months ECL and lifetime ECL depends on the stages. The value and type of security obtained against the credit facilities are not considered when determining the classification status of a credit facility. In cases where a borrower has several current accounts with overdraft limits with the Bank, the aggregate sanctioned limit and the daily outstanding aggregate balance on all such accounts shall be considered for the purposes of classification of overdrafts.

4.4.11.6.1 Performing credit facilities

(a) All the credit facilities classified as Stage 1 under SLFRS 9 – "Financial Instruments" and

(b) All credit facilities identified as significant increase in credit risk facilities and classified as Stage 2 under SLFRS 9 – "Financial Instruments" (Under-performing credit facilities)

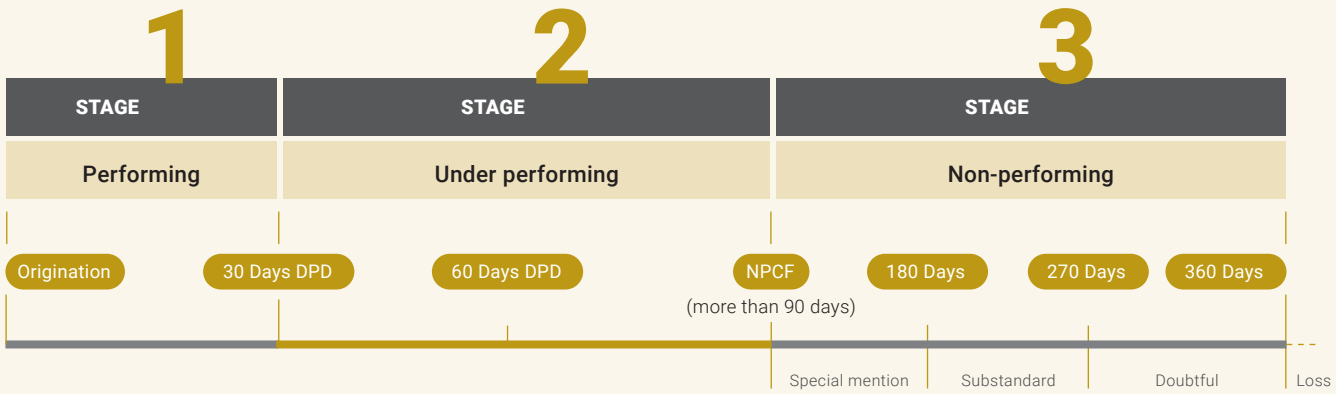
4.4.11.6.2 Non-performing credit facilities (NPCF)

Non-performing credit facilities (NPCF) shall mean all credit facilities where;

(a) Contractual payments of a customer are past due for more than 90 days (the number of days past due shall be calculated starting from the contractual due date of the payment).

(b) Sanctioned limit has remained in excess for more than 90 days.

(c) Any other credit facilities classified as Stage 3 as per SLFRS 9 – "Financial Instruments" (facilities classified as NPCF based on potential risk and impaired assets at origination).



Notes to the Financial Statements

Performing		Non-performing credit facilities (NPCF)
Stage 01	Stage 02	Stage 03
• 30 days or less than 30 days past due	• 31 to 89 days past due	• 90 days or more than 90 days past due
• All credit facilities, which are not categorised under Stages 2 or 3	• All restructured loans, which are restructured up to two times, other than credit facilities upgraded and under the satisfactory performing period of a minimum 90 days from the due date of the 1st capital and/ or interest instalment post-restructure. • Under-performing credit facilities/ exposures as significant credit deterioration identified based on the deterioration factors given under the Note 28 – "Loans and advances to customers".	• All restructured loans, which are restructured more than twice, other than credit facilities/ exposures upgraded and under the satisfactory performing period of a minimum 90 days from the due date of the 1st capital and/or interest installment post-restructure. • All rescheduled loans, other than credit facilities/exposures. • All credit facilities/customers classified as non-performing as per CBSL Directions. • Customers identified with significant credit deterioration as per the deterioration factors given under Note 28 – "Loans and advances to customers".

For the above classification purpose, facility is considered as restructured facility if original repayment terms have been amended due to deterioration in credit quality and "Credit Forbearance Policy" of the Bank should be referred in identifying the restructured facilities. As per the Credit Forbearance Policy of the Bank, following changes/criteria are recognised as changes to the original repayment terms of a credit facility

- Change of Interest Rate
- Change of Tenor (Maturity)
- Changes to the Grace Period
- Interest Waivers

4.4.11.6.3 Subcategorisation of non-performing credit facilities (NPCF)

NPCF are further categorised into four categories based on the past due days and level of potential risk identified as follows:

Category	Past due days	Potential risk criteria
Special mention	>90 and < = 180	Exhibits potential weaknesses where, if not corrected in a timely manner, may adversely affect repayment ability of the customer in future.
Substandard	> 180 and < = 270	Exhibits definable weaknesses, either in respect of the business, cash flow or financial position of the customer that may jeopardize repayment on existing terms and uncertainty on the repayment.
Doubtful	> 270 and > = 360 days	Exhibit a high risk or partial default or where full collection is improbable and there is a high risk of default.
Loss	> 360 days	Deemed to be uncollectable or are almost certain repayment will not be done and all other NPCF which are not included under above categories.

4.4.11.7 Upgrading of credit facilities

Upgrading of credit facilities among the stages will be done based on the level of improvement in credit deterioration at the later assessment dates comparing to the initial point.

The Bank will upgrade the credit facilities in accordance with the guidelines provided under the Credit Risk Management Policy pertaining to the upgrading of credit facilities.

4.5 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly-traded subsidiaries or other valuable fair value indicators.

4.6 Fiduciary services

The Group provides fiduciary services to third parties that result in holding of the assets on behalf of its customers. Assets held in fiduciary capacity are not recognised in the Financial Statements, as the Group is not the beneficial owner or does not control such assets.

4.7 Provisions

A provision is recognised as a result of a past event, when the Group has a present (legal or constructive) obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

4.8 Income tax expense and other taxes

4.8.1 Income tax expense

Income tax expense comprises current and deferred tax. More details are given in Note 18.

4.8.2 Value added tax (VAT) on financial services

The base for value added tax computation is arrived by aggregating the accounting profit before income tax and emoluments of employees, which is adjusted for the depreciation computed on prescribed rates. During the year, the Group's total value addition was subjected to 18% with effect from 1 January 2022(2021 – 15%) as per the Value Added Tax Act No. 14 of 2002 and amendments thereto. Also the Group is following value attributable method to compute VAT on financial services.

4.8.3 Crop insurance levy (CIL)

As per the provisions of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1 April 2013 and is payable 1% of the profit after tax to the National Insurance Trust Fund Board.

4.8.4 Social security contribution levy (SSCL)

In terms of the Social Security Contribution Levy Act No. 25 of 2022, the Bank is liable for Social Security Contribution Levy on financial services with effect from 1 October 2022 on the value addition attributable to financial services at the rate of 2.5%. Further, SSCL on non-financial services are made liable on the turnover at the rate of 2.5%.

4.8.5 Withholding tax (WHT) on dividends distributed by the Bank, Subsidiaries and Associates

Withholding tax on dividends distributed by the Bank

The Bank distributed dividend to its sole shareholder, the Government of Sri Lanka. As per the third schedule of Inland Revenue Act No 24 of 2017 and amendments thereto, amounts derived by the Government of Sri Lanka is exempted from income tax. Accordingly, no withholding tax is deducted on dividend payments made to the Government of Sri Lanka.

WHT on dividends distributed by the subsidiaries and associates

As per the Inland Revenue (Amendment) Act No 10 of 2021, requirement to deduct WHT on dividends from residents had been removed effective from 1 January 2020. Dividends paid to non-residents had been exempted from income tax. The dividend income received from Subsidiaries and Associates was liable for income tax at 14% until 30 September 2022.

Accordingly, income tax rate of 14% was applied on the dividend income for the first half of the financial year ended 31 December 2022 and dividend income received during the second half was liable at the rate of 15%.

As per Inland Revenue (Amendment) Act No. 45 of 2022, WHT on dividends has been introduced with effect from 1 January 2023. Accordingly, dividend income received from Subsidiaries and Associate companies will be liable for WHT at the rate of 15% and will be a final withholding tax.

5 Insurance business

5.1 Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract. Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the Statement of Profit or Loss. Premiums and claims are presented on a gross basis for reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

5.2 Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Profit or Loss.

5.3 Deferred expenses

5.3.1 Deferred acquisition costs (DAC)

The costs of acquiring new businesses including commission, underwriting, marketing and policy issue expenses which vary with and directly related to production of new businesses and/or investment contracts with discretionary participation features (DPF), are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, DAC for general insurance is amortised over the period on the basis unearned premium is amortised. The reinsurances' share of deferred acquisition cost is amortised in the same manner as the underlying assets amortisation is recorded in the Statement of Profit or Loss. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation period and are treated as a change in an accounting estimate. DAC are derecognised when the related contracts are either expired or cancelled.

5.4 Reinsurance commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortised over the period of reinsurance.

5.5 Investment contract liabilities

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities. Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, investment contract liabilities are measured at fair value through profit or loss. Deposits and withdrawals are recorded directly as an adjustment to the liability in the Statement of Financial Position. Fair value adjustments are performed at each reporting date and are recognised in the Statement of Profit or Loss. Fair value is determined through the use of prospective discounted cash flow techniques. For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit linked fund multiplied by the unit price of those funds at the reporting date. The fund assets and fund liabilities used to determine the unit prices at the reporting date are valued on a basis consistent with their measurement basis in the Statement of Financial Position adjusted to take account of the effect on the liabilities of the deferred tax on unrealised gains on assets in the fund. Non-utilised contracts are subsequently carried at fair value, which is determined by using valuation techniques such as discounted cash flows and stochastic modelling. Models are validated, calibrated and periodically reviewed by an independent qualified person.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value. When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance.

5.6 Discretionary participation features (DPF)

A DPF is a contractual right that gives holders of these contracts the right to receive as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio. Under the terms of the contract, surpluses in the DPF funds can be distributed to policyholders and shareholders on a 90/10 basis. The Group has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at annually are held within insurance or investment contract liabilities as appropriate.

5.7 Unearned premium reserve

Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 1/24th basis.

6 New and amended standards and interpretations

6.1 New Accounting Standards issued during the year/changes to already existing accounting standards.

6.1.1 SLFRS 3 – "Business Combinations"

The amendment replaced a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The effective date is 1 January 2022.

This amendment had no material impact on the Financial Statements of the Bank/Group.

6.1.2 LKAS 37 – "Provisions, Contingent Liabilities and Contingent Assets"

The amendment specified the costs that an entity needs to include when assessing whether a contract is onerous or loss-making.

The effective date is 1 January 2022.

This amendment had no material impact on the Financial Statements of the Bank/Group.

6.1.3 LKAS 16 – "Property, Plant and Equipment"

The amendment prohibits entities from deducting any proceeds from selling items produced, while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management, from the cost of an item of property, plant and equipment.

The effective date is 1 January 2022. This amendment had no material impact on the Financial Statements of the Bank/Group.

6.2 New accounting standards issued but not effective as at the reporting date

The following Sri Lanka Accounting Standards were issued by The Institute of Chartered Accountants of Sri Lanka which is effective for the annual period beginning on or after 1 January 2023. Accordingly, these accounting standard has not been applied in the preparation of the Financial Statements for the year ended 31 December 2022. We have identified following Standards where this applies to the Group and further details are set out below:

6.2.1 Amendments to LKAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors"

The amendments clarify the following.

- Distinction between changes in accounting estimates, changes in accounting policies and the correction of errors.
- How entities use measurement techniques and inputs to develop accounting estimates.
- A change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The effective date is 1 January 2023.

These amendments have no material impact on the Financial Statements of the Bank/Group.

6.2.2 Amendments to LKAS 1 – "Presentation of Financial Statements"

These amendment:

- replaces the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose "material" accounting policies.
- provides guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
- specify the requirements for classifying liabilities as current or non-current.

The effective date is 1 January 2023 These amendments have no material impact on the Financial Statements of the Bank/Group.

6.2.3 Amendments to LKAS 12 – "Income Taxes"

The amendments introduce an exception to the initial recognition exemption in LKAS 12 – "Income Taxes". The effect of these amendments essentially mean that the initial recognition exemption is not available for transactions which involve the recognition of both an asset and liability which in turn leads to equal and opposite temporary differences. Therefore, deferred taxes are calculated and booked for both temporary differences, at initial recognition and subsequently.

The effective date is 1 January 2023.

These amendments have no material impact on the Financial Statements of the Bank/Group.

6.2.4 SLFRS 17 – "Insurance contracts"

SLFRS 17 – "Insurance Contracts" establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of SLFRS 17 –"Insurance Contracts" is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of Financial Statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. SLFRS 17 – "Insurance Contracts" is effective for annual periods beginning on or after 1 January 2025. The Group is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 17 – "Insurance Contracts".

Notes to the Financial Statements

7 Total income

Accounting policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank/Group and the revenue can be reliably measured.

		Bank		Group	
For the year ended 31 December	Note	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Interest income	8.1	456,267,458	260,513,393	463,203,346	266,565,137
Fee and commission income	9.1	22,837,771	17,649,434	23,165,682	17,931,406
Net gains/(losses) from trading	10	17,602,384	4,742,396	17,678,455	4,813,011
Net fair value gains/(losses) from financial instruments at fair value through profit or loss	11	(804,438)	1,347,097	(956,745)	1,309,021
Net gains/(losses) from derecognition of financial assets	12	861,349	393,920	877,853	466,392
Net other operating income	13	16,384,811	5,716,254	16,922,573	6,535,886
Total income		513,149,335	290,362,494	520,891,164	297,620,853

8 Net interest income

Accounting policy

Interest income and expense are recognised in the Statement of Profit or Loss using the Effective Interest Rate (EIR).

Interest income and expense presented in the Statement of Profit or Loss include interest on;

- Financial assets recognised through Profit or Loss – Measured at Fair Value (FVTPL)
- Financial assets measured at Fair Value Through Other Comprehensive Income (FVTOCI)
- Financial assets and financial liabilities measured at Amortised Cost (AC)

Effective Interest Rate (EIR)

The "EIR" is the rate that exactly discounts the estimated future cash payments and receipts throughout the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the EIR, the Group estimates future cash flows, considering all contractual terms of the financial instruments.

The calculation of the EIR includes any discount or premium on acquisition of financial instrument, transaction costs and fees paid or received that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

For impaired financial assets, adjusted EIR is calculated using estimated future cash flows and if the financial assets cures and no longer credit impaired, the bank reverts to calculating interest income on gross basis.

The expected cashflows on financial asset are revised for reasons other than credit risk, the adjustment is made to carrying value of the assets in Statement of financial position with an adjustment to interest income or similar income in the income statement.

8.1 Interest income

For the year ended 31 December	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Cash and cash equivalents	595,465	272,710	881,761	405,801
Placements with banks	396,817	172,817	405,672	251,279
Securities purchased under resale agreements	96,718	55,892	75,167	45,731
Financial assets recognised through profit or loss measured at fair value	444,197	169,781	447,726	188,636
Financial assets at amortised cost				
Loans and advances	310,238,562	193,128,913	316,070,181	198,647,188
Debt and other instruments	143,777,962	65,712,624	144,543,793	65,828,219
Financial assets measured at fair value through OCI	717,737	1,000,656	779,046	1,198,283
Total interest income	456,267,458	260,513,393	463,203,346	266,565,137

Interest income on loans and advances includes interest on credit impaired loans and advances amounting to LKR 1,745.7 million for the year 2022 (2021 – LKR 1,964.7 million).

8.2 Interest expenses

For the year ended 31 December	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Due to banks	477,472	991,872	511,004	992,644
Securities sold under repurchase agreements	36,443,268	4,858,029	36,438,543	4,901,475
Financial liabilities at amortised cost				
Due to depositors	231,793,666	124,010,868	234,767,352	125,770,916
Other borrowings	52,848,179	12,086,260	53,413,547	12,306,268
Debt securities issued	–	–	–	293,983
Subordinated liabilities	8,358,495	7,314,423	8,304,008	7,310,224
Total interest expenses	329,921,080	149,261,452	333,434,454	151,575,510
Net interest income	126,346,378	111,251,941	129,768,892	114,989,627

8.3 Net interest income from Sri Lanka Government Securities

For the year ended 31 December	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Interest income	119,745,901	49,697,311	119,805,011	49,986,610
Less: Interest expenses	36,443,268	4,858,029	36,438,543	4,901,475
Net interest income from Sri Lanka Government Securities	83,302,633	44,839,282	83,366,468	45,085,135

Notes to the Financial Statements

9 Net fee and commission income

Accounting policy

Fee and commission income comprises with the fee and commission earned by the Group, providing diverse range of services. Those can be divided into following two main categories.

(i) Fee and commission income earned from services that are provided over a certain period of time;

Fees earned from the provision of services over a period of time are accrued over that period. These fees include commission income and private wealth and asset management fees, custody and other management and advisory fees.

(ii) Fee and commission income from providing transaction services and earned on the execution of a specific act;

Fees and commission arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the acquisition of shares or other securities, or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Fees and commission expenses relating to transactions are expensed as the services are received and are recognised on an accrual basis.

9.1 Fee and commission income

	Bank		Group	
For the year ended 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Trade services	3,931,144	3,237,924	4,060,300	3,326,981
Debit and credit cards	8,876,177	5,376,831	8,876,177	5,376,831
Travel and remittances services	3,744,864	2,026,849	3,753,231	2,026,849
Custodial services	60,667	75,966	60,667	75,966
Retail banking services	3,890,089	4,789,654	4,057,370	4,928,836
Guarantees and related services	1,582,641	1,390,197	1,582,641	1,390,869
Other financial services	752,189	752,013	775,296	805,074
Total fee and commission income	22,837,771	17,649,434	23,165,682	17,931,406

9.2 Fee and commission expense

	Bank		Group	
For the year ended 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Debit and credit cards	5,830,252	2,927,581	5,830,252	2,927,581
Travel and remittances services	266,482	143,994	266,482	143,994
Retail banking services	360,240	360,347	379,445	365,774
Guarantees and related services	10,728	11,587	10,728	11,587
Other financial services	18,427	26,523	18,427	59,683
Total fee and commission expenses	6,486,129	3,470,032	6,505,334	3,508,619
Net fee and commission income	16,351,642	14,179,402	16,660,348	14,422,787

10 Net gains/(losses) from trading

Accounting policy

Net gains/(losses) from trading comprises foreign exchange gains or losses arising from trading activities, gains/(losses) arising from changes in fair value of derivative financial instruments, dividend income from trading equities.

Dividend income is recognised when the Group's right to receive the dividend is established.

	Bank		Group	
For the year ended 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Foreign exchange				
From banks	6,494	(60,506)	76,071	(46,699)
From customers and others	17,522,608	4,727,110	17,529,102	4,733,553
Equities				
Dividend income	73,282	75,792	73,282	126,157
Net gains/(losses) from trading	17,602,384	4,742,396	17,678,455	4,813,011

11 Net fair value gains/(losses) from financial instruments at fair value through profit or loss

Accounting policy

Net gains/(losses) on financial instruments at fair value through profit or loss includes unrealised gains or losses from investment in equities and debt instruments classified at fair value through profit or loss due to changes in fair value of such instruments.

	Bank		Group	
For the year ended 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Gains/(losses) on marked to market valuation of				
Fixed income securities	29,671	(13,032)	29,671	(84,274)
Equities	(691,331)	304,671	(843,638)	337,325
Unit trust	(142,778)	1,055,458	(142,778)	1,055,970
Net gains/(losses) on financial assets at fair value through profit or loss	(804,438)	1,347,097	(956,745)	1,309,021

12 Net gains/(losses) from derecognition of financial assets

Net gains/(losses) from derecognition of financial assets include profit or loss on sale of debt instruments classified as fair value through profit or loss, amortised cost and fair value through other comprehensive income and profit or loss on sale of equity instrument classified as fair value through profit or loss.

	Bank		Group	
For the year ended 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Recognised at:				
Fair value through profit or loss	751,322	322,145	766,423	384,418
Amortised cost	–	–	–	–
Fair value through other comprehensive income	110,027	71,775	111,430	81,974
Net gains/(losses) from derecognition of financial assets	861,349	393,920	877,853	466,392

Notes to the Financial Statements

13 Net other operating income

Accounting policy

Dividend income

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

Gains/(losses) from disposal of non-financial assets

Net gains/(losses) arising from the disposal of property, plant and equipment and other non current assets including investments in subsidiaries and associates are accounted for in the Statement of Profit or Loss after deducting the carrying amount of such assets and the related selling expenses from the proceeds on disposal.

Foreign exchange income

Foreign currency positions are revalued at each reporting date. Gains/(losses) arising from changes in fair value are included in the Statement of Profit or Loss in the period in which they arise.

Rental income

Rental income is recognised on an accrual basis. This includes rent recovered from the Bank's premises and safety lockers etc..

Gross insurance premium

Gross recurring premiums on life and investment contracts with Discretionary Participation Features (DPF) are recognised as revenue when receivable from the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

		Bank		Group	
For the year ended 31 December	Note	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Dividend income from financial assets measured at fair value through OCI		377,695	226,772	441,973	264,099
Dividend income from subsidiaries and associates		107,430	394,454	–	–
Dividend income from units in unit trust		–	–	171	982
Gains/(losses) on revaluation of foreign exchange		15,450,104	4,529,610	15,450,104	4,529,610
Gains/(losses) on sale of property, plant and equipment		(7,950)	(16,120)	(7,410)	(3,597)
Gains/(losses) on sale of foreclosed properties		23,507	36,655	23,507	36,655
Rental income		235,980	236,974	232,728	308,545
Service income		–	–	280,468	98,710
Profit from sale of gold bullion		6,069	15,777	–	15,777
Miscellaneous income		131,581	209,262	84,685	911,335
Gross insurance premium		–	–	355,952	290,900
Net income from Islamic banking	13.1	60,395	82,870	60,395	82,870
Net other operating income		16,384,811	5,716,254	16,922,573	6,535,886

13.1 Net income from islamic banking

For the year ended 31 December	Bank/Group 2022 LKR '000	Bank/Group 2021 LKR '000
Income from islamic banking operations	266,617	155,774
Less: Profit paid to investors	206,222	72,904
Net income from islamic banking	60,395	82,870

14 Impairment charge/(reversal) for loans and other losses

Accounting policy

The Bank and Group recognise the changes in the impairment provisions for financial instruments, which are assessed as per Sri Lanka Accounting Standard – SLFRS 9 - "Financial Instruments". Details are given under "Financial assets at amortised cost – loans and advances" (Note 28). Further, the Bank/Group recognises an impairment loss when the carrying amount of a non-financial asset exceeds the estimated recoverable amount of that asset as per Sri Lanka Accounting Standard – LKAS 36 - "Impairment of Assets".

The table below shows the provision made in the Statement of Profit or Loss during the year on identified Expected Credit Losses (ECL) on financial instruments for the year.

For the year ended 31 December	Note	Bank 2022				Group 2022			
		Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Cash and cash equivalents	22.2	11,952	–	–	11,952	10,356	–	–	10,356
Placements with banks	24.2	319,416	–	–	319,416	317,348	–	–	317,348
Financial assets measured at amortised cost – loans and advances	28.2	15,135,491	10,344,926	45,280,265	70,760,682	15,204,835	10,365,092	45,174,250	70,744,177
Financial assets measured at amortised cost – debt instruments	29.3	(13,446,853)	29,510,499	–	16,063,646	(13,287,475)	29,510,499	–	16,223,024
Impairment charge/(reversal) for loans and other losses		2,020,006	39,855,425	45,280,265	87,155,696	2,245,064	39,875,591	45,174,250	87,294,905

For the year ended 31 December	Note	Bank 2021				Group 2021			
		Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Cash and cash equivalents	22.2	935	–	–	935	1,001	–	–	1,001
Placements with banks	24.2	139	–	–	139	206	–	–	206
Financial assets measured at amortised cost – loans and advances	28.2	12,675,143	3,521,857	19,230,413	35,427,413	12,593,052	3,415,965	19,339,245	35,348,262
Financial assets measured at amortised cost – debt instruments	29.3	8,305,244	–	–	8,305,244	8,316,912	–	–	8,316,912
Financial assets measured at fair value through OCI	30.4	–	–	–	–	(4,416)	–	–	(4,416)
Impairment charge/(reversal) for loans and other losses		20,981,461	3,521,857	19,230,413	43,733,731	20,906,755	3,415,965	19,339,245	43,661,965

Note: The Bank has recognised an impairment charge of LKR 29,510.5 million on account of Sri Lanka Development Bonds and Sri Lanka Sovereign Bonds during the year, following the downgrade of the sovereign rating with the announcement made by the Government to restructure it's external debts.

Notes to the Financial Statements

15 Personnel expenses

Accounting policy

Personnel expenses include staff emoluments, contribution to defined contribution and benefit plans and other related expenses. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Employees are eligible for contribution to defined contribution and benefit plans in accordance with the respective internal and external statutes and regulations.

Defined benefit plans are recognised in the Statement of Profit or Loss based on actuarial valuations carried out in accordance with Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

		Bank		Group	
For the year ended 31 December	Note	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Staff emoluments		23,859,475	19,002,785	25,693,378	20,495,207
Contributions to defined contribution plans	15.1	2,048,765	1,705,848	2,229,393	1,869,174
Contributions to defined benefit plans	15.2	1,455,762	2,927,193	1,539,682	2,991,611
Other personnel expenses		1,627,427	1,346,114	1,890,525	1,569,263
Total personnel expenses		28,991,429	24,981,940	31,352,978	26,925,255

15.1 Contributions to defined contribution plans

A Defined Contribution Plan (DCP) is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in the Statement of Profit or Loss when they are due in respect of service rendered before the end of the Reporting period. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Bank of Ceylon Provident Fund

All employees of the Bank are members of the "Bank of Ceylon Provident Fund" to which the Bank contributes 12% of employees' monthly gross salary while employees contribute 8%. This fund is an approved fund, which is independently administered.

Employees' Provident Fund

The subsidiaries and their employees (other than Bank of Ceylon and its employees) contribute 12% (15% by Property Development Limited and Hotel Colombo Limited) and 8% (10% by Property Development Limited's and Hotel Colombo Limited's employees) respectively on monthly gross salary of each employee to Employees' Provident Fund, in terms of the Employees' Provident Fund Act No. 15 of 1958 and subsequent amendments thereto. The respective fund is managed by the Central Bank of Sri Lanka.

Employees' Trust Fund

All employees of the Bank and its subsidiaries are members of the Employees' Trust Fund to which the Bank and the Group contributes 3% of the employee's monthly gross salary, in terms of Employees' Trust Fund Act No. 46 of 1980.

For the year ended 31 December	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Employers' contribution to:				
Bank of Ceylon/Employees' Provident Fund	1,643,180	1,366,978	1,792,776	1,498,129
Employees' Trust Fund	405,585	338,870	436,617	371,045
Total contributions to defined contribution plans	2,048,765	1,705,848	2,229,393	1,869,174

15.2 Contributions to defined benefit plans

A Defined Benefit Plan (DBP) is a post-employment benefit plan other than a DCP. The Group's net obligation in respect of DBP is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value and then deducting the fair value of any plan assets. The discount rate is the yield at the reporting date on long-term treasury bond rate for discount rates actually used that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified Actuary using the "Projected Unit Credit method".

The Group recognises all actuarial gains and losses arising from DBP in the OCI and the expenses related to DBP under personnel expenses in the Statement of Profit or Loss. Details of defined benefit plans are given in "Employee retirement benefit plans" (Note 48).

For the year ended 31 December	Note	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Net expenses recognised in the profit or loss					
Bank of Ceylon Pension Trust Fund	48.1.1	2,514,177	2,001,768	2,514,177	2,001,768
Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund	48.2.1	(1,319,754)	(810,350)	(1,319,754)	(810,350)
Terminal gratuity	48.3	105,253	80,769	180,221	136,445
Bank of Ceylon Pension Fund – 2014	48.4.1	83,081	1,588,741	83,081	1,588,741
Provision for encashment of medical leave	48.5	73,005	66,265	73,005	66,265
Pension fund – Bank of Ceylon (UK) Limited		–	–	8,952	8,742
Total contributions to defined benefit plans		1,455,762	2,927,193	1,539,682	2,991,611

16 Depreciation and amortisation expenses

The Group provides depreciation from one date. The assets are available for use upto the point the assets can be used for economic activities. Depreciation of the assets ceases at the point of the date that the asset is classified held for sale or the date that the asset is derecognised. Depreciation does not ceases when the asset become idle or is retired from active use unless asset is fully depreciated.

For the year ended 31 December	Note	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Depreciation of investment properties	33	–	119,478	2,906	6,666
Depreciation of property, plant and equipment	34	1,894,960	2,054,485	2,717,917	2,812,815
Amortisation of right of use asset/leasehold properties	35	1,759,054	1,489,358	990,918	901,285
Amortisation of intangible assets	36	632,885	482,935	795,627	518,867
Total Depreciation and amortisation expenses		4,286,899	4,146,256	4,507,368	4,239,633

Notes to the Financial Statements

17 Other expenses

Accounting policy

Other expenses have been recognised in the Statement of Profit or Loss as they are incurred in the period to which they relate. All expenditure incurred in the operation of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the Group's profit for the year. Provisions in respect of other expenses are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources emboding economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Deposit insurance premium

As per the Sri Lanka Deposit Insurance and Liqudity Support Scheme introduced under the Banking Act Direction No. 6 of 2010, the Group is required to make quarterly payments of 0.1% or 0.125% on the eligible deposit liabilities, from 1 October 2010. The premium rate depends on the Capital Adequacy Ratio (CAR) of the immediate preceeding Audited Financial Statements.

Reinsurance premium, claims and other benefits

Gross benefits and claims for life insurance contracts and for investment contracts with Discretionary Participation Features (DPF) include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts, as well as changes in the gross valuation of insurance and investment contract liabilities with DPF. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Interim payments and surrenders are accounted at the time of settlement.

General insurance include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct and inward reinsurance business. The liability covers claims reported but not yet paid, Incurred But Not Reported (IBNR) claims and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of IBNR is actuarially valued on an annual basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the Financial Statements for that period. The methods used and the estimates made are reviewed regularly.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

	Bank		Group	
For the year ended 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Directors' emoluments	4,200	4,388	13,748	11,609
Auditors' remuneration				
Audit fees	35,504	29,872	78,277	57,258
Non-audit fees	–	–	766	596
Deposit insurance premium	3,111,665	2,515,002	3,146,594	2,545,766
Professional and legal expenses	158,948	126,562	242,892	187,420
Net revaluation (gain)/loss on lands and buildings	(3,200)	–	(3,200)	(392)
Fixed assets maintenance expenses	3,737,614	4,222,646	3,408,364	4,006,182
Reinsurance premium, claims and other benefits	–	–	291,024	319,715
Office administration and establishment expenses	6,973,430	5,653,923	8,245,501	6,738,662
Total other expenses	14,018,161	12,552,393	15,423,966	13,866,816

18 Taxes

18.1 Taxes on financial services

Taxes on financial services includes Value Added Tax (VAT) and Social Security Contribution Levy (SSCL) calculated based on the value addition made on financial services.

	Bank		Group	
For the year ended 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Value added tax	11,031,979	9,027,173	11,155,847	9,339,679
Social security contribution levy	281,313	–	286,658	–
Total taxes on financial services	11,313,292	9,027,173	11,442,505	9,339,679

18.2 Income tax expense

Current tax and deferred tax are recognised in the Statement of Profit or Loss except to the extent that it relates to items recognised directly in equity or in Other Comprehensive Income (OCI).

Current taxation

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. The amount of current tax receivable or payable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes if any.

Accordingly, provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017, effective from 1 April 2018, Inland Revenue (Amendment) Act, No. 10 of 2021 and Inland Revenue (Amendment) Act No. 45 of 2022. As required by the Sri Lanka Accounting Standard – LKAS 12 on "Income Taxes", the effective tax rates and reconciliation between the profit before tax and tax expense is given in Note 18.2.2.

Provision for taxation on the overseas operations is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the relevant laws and regulations in those countries, using the tax rates enacted or substantively enacted as at the reporting date.

Deferred taxation

Reconciliation of Deferred tax assets and liabilities on temporary differences is given on Note 37.

18.2.1 Components of income tax expense

		Bank		Group	
For the year ended 31 December	Note	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Current tax expense					
Income tax on current year profit		13,403,667	10,291,645	13,627,737	10,806,382
Adjustments in respect of prior years		146,793	(932,283)	146,793	(1,029,018)
Deferred tax expense					
Charge/(reversal) of deferred tax expense	37	(14,546,219)	(4,236,608)	(14,571,046)	(4,293,544)
Adjustment in respect of rate differences of prior years	37	–	476,656	–	469,839
Total income tax expense for the year		(995,759)	5,599,410	(796,516)	5,953,659

Notes to the Financial Statements

18.2.2 Reconciliation of accounting profit and income tax expense

For the year ended 31 December	Note	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Accounting profit before income tax		30,976,649	43,189,517	31,052,501	44,637,053
Add: Dividend income from subsidiaries and associates		–	–	107,430	394,454
		30,976,649	43,189,517	31,159,931	45,031,507
Add: Disallowable expenses		74,023,401	62,807,607	74,916,711	65,459,476
		105,000,050	105,997,124	106,076,642	110,490,983
Less: Allowable expenses		27,313,674	42,285,920	27,527,907	44,410,960
Less: Tax exempt income		26,607,014	20,583,744	26,607,015	20,770,875
Taxable income		51,079,362	43,127,460	51,941,720	45,309,148
Taxable income at the rate 24% and 30% (2021 – 24%)		50,561,160	42,459,428	51,292,184	44,552,442
Taxable income at the rate 14% and 15% (dividend received) (2021 – 14%)		518,202	668,032	649,536	756,706
Current tax at rate of 24% and 30% (2021 – 24%)		13,314,547	10,190,263	13,519,805	10,692,586
Tax on dividend received at rate of 14% and 15% (2021 – 14%)		75,072	93,525	93,884	105,939
Effect of different tax rates in other countries		14,048	7,857	14,048	7,857
Adjustment in respect of prior years		146,793	(932,283)	146,793	(1,029,018)
Charge/(reversal) of deferred tax	37	(14,546,219)	(4,236,608)	(14,571,046)	(4,293,544)
Adjustment in respect of rate differences of prior years	37	–	476,656	–	469,839
Income tax expense for the year		(995,759)	5,599,410	(796,516)	5,953,659
The effective tax rate (including deferred tax) (%)		(3.2)	13.0	(2.6)	13.3
The effective tax (excluding deferred tax) (%)		43.7	22.8	44.4	23.0

Revision of tax rates

As per the Inland Revenue (Amendment) Act No. 45 of 2022, the corporate income tax rate has been revised from 24% to 30% with effect from 1 October 2022. Accordingly, income tax rate of 30% was applied on the taxable income of the Bank for the second half of the financial year ended 31 December 2022.

18.2.3 The tax liabilities of resident companies are computed at the standard rate of 30% from 1 July 2022 (up to 30 June 2022: 24%, except the following operations of the Bank and subsidiary companies which enjoy full or partial exemptions and concessions)

For the year ended 31 December	2022 From 1 July 2022 %	2022 Up to 30 June 2022 %	2021 %
Tax rates applicable on local operations			
Hotels Colombo (1963) Limited	30.00	14.00	14.00
Ceybank Holiday Homes (Private) Limited	30.00	14.00	14.00

For the year ended 31 December	2022 %	2021 %
Tax rates applicable on foreign operations		
Banking operations in Malé	25.00	25.00
Banking operations in Chennai	40.00	40.00
Banking operation in Seychelles		
Up to SCR 1,000,000	25.00	25.00
Balance	33.33	33.33
Bank of Ceylon (UK) Limited	19.00	19.00

Note: Investment income of the Hotels Colombo (1963) Limited and Ceybank Holiday Homes (Private) Limited is subject to 24% up to 30 June 2022.

19 Share of profits/(losses) of associate companies, net of tax

The aggregate of the Group's share of profit or losses of associates is shown in the Statement of Profit or Loss under the equity method of accounting.

	Group	
For the year ended 31 December	2022 LKR '000	2021 LKR '000
Ceybank Asset Management Limited	26,394	58,715
Lanka Securities (Private) Limited	70,240	54,105
Transnational Lanka Records Solutions (Private) Limited	26,213	20,857
Total share of profits/(losses) of associate companies, net of tax	122,847	133,677

20 Earnings per share and dividend per share

20.1 Basic earnings per share

In accordance with the Sri Lanka Accounting Standard – LKAS 33 "Earnings Per Share", basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank (the numerator) by the weighted average number of ordinary shares in issue (the denominator) during the year.

		Bank		Group	
For the year ended 31 December	Note	2022	2021	2022	2021
Profit attributable to ordinary shareholder of the Bank (LKR '000)		31,972,408	37,590,107	31,994,638	38,490,392
Weighted average number of ordinary shares in issue	20.1.1	25,000,000	25,000,000	25,000,000	25,000,000
Basic earnings per share (LKR)		1,278.90	1,503.60	1,279.79	1,539.62

Notes to the Financial Statements

20.1.1 Weighted average number of ordinary shares in issue

	Bank		Group	
For the year ended 31 December	2022	2021	2022	2021
Number of ordinary shares in issue as at 1 January	25,000,000	25,000,000	25,000,000	25,000,000
Weighted average number of ordinary shares issued during the year	–	–	–	–
Weighted average number of ordinary shares in issue as at 31 December	25,000,000	25,000,000	25,000,000	25,000,000

20.2. Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholder of the Bank (the numerator) by the weighted average number of ordinary shares in issue during the year after adjusting for effect of all dilutive potential ordinary shares (the denominator).

	Note	Bank		Group	
For the year ended 31 December		2022	2021	2022	2021
Profit attributable to ordinary shareholders of the Bank (LKR '000)		31,972,408	37,590,107	31,994,638	38,490,392
Weighted average number of ordinary shares after adjusting for dilution	20.2.1	25,134,000	25,000,000	25,134,000	25,000,000
Diluted earnings per share (LKR)		1,272.08	1,503.60	1,272.96	1,539.62

20.2.1 Weighted average number of ordinary shares after adjusting for dilution

	Bank		Group	
For the year ended 31 December	2022	2021	2022	2021
Weighted average number of ordinary shares in issue	25,000,000	25,000,000	25,000,000	25,000,000
Weighted average number of potential ordinary shares under pending allotment during the year	134,000	–	134,000	–
Weighted average number of ordinary shares after adjusting for dilution	25,134,000	25,000,000	25,134,000	25,000,000

20.3 Dividend per share

Dividend per share is calculated by dividing the total dividend allocated to shareholder (the numerator) by the weighted average number of ordinary shares in issue (the denominator) during the year.

	Note	Bank		Group	
For the year ended 31 December		2022	2021	2022	2021
Total dividend allocated to shareholder during the year (LKR '000)		346,410	1,846,410	346,410	1,846,410
Weighted average number of ordinary shares in issue	20.1.1	25,000,000	25,000,000	25,000,000	25,000,000
Dividend per share (LKR)		13.86	73.86	13.86	73.86

21 Analysis of financial instruments by measurement basis

All financial assets and liabilities are measured under the following headings as per the SLFRS 9 – "Financial Instruments".

21.1 Bank

As at 31 December	2022			
	Fair value through profit or loss LKR '000	Fair value through OCI LKR '000	Amortised cost LKR '000	Total LKR '000
Financial assets				
Cash and cash equivalents	–	–	128,401,532	128,401,532
Balances with central banks	–	–	70,494,529	70,494,529
Placements with banks	–	–	16,459,303	16,459,303
Securities purchased under resale agreements	–	–	1,480,403	1,480,403
Derivative financial instruments	57,155,486	–	–	57,155,486
Loans and advances	–	–	2,325,594,329	2,325,594,329
Debt instruments	7,892,241	3,361,267	1,555,897,307	1,567,150,815
Equity Instruments	2,387,814	5,329,535	–	7,717,349
Total financial assets	67,435,541	8,690,802	4,098,327,403	4,174,453,746

As at 31 December	2022		
	Fair value through profit or loss LKR '000	Amortised cost LKR '000	Total LKR '000
Financial liabilities			
Due to banks	–	11,514,897	11,514,897
Securities sold under repurchase agreements	–	180,218,543	180,218,543
Derivative financial instruments	921,033	–	921,033
Financial liabilities at amortised cost			
Due to depositors	–	3,334,774,261	3,334,774,261
Other borrowings	–	390,489,543	390,489,543
Subordinated liabilities	–	63,758,191	63,758,191
Total financial liabilities	921,033	3,980,755,435	3,981,676,468

Notes to the Financial Statements

As at 31 December	2021			
	Fair value through profit or loss LKR '000	Fair value through OCI LKR '000	Amortised cost LKR '000	Total LKR '000
Financial assets				
Cash and cash equivalents	–	–	82,647,406	82,647,406
Balances with central banks	–	–	74,121,781	74,121,781
Placements with banks	–	–	4,957,417	4,957,417
Securities purchased under resale agreements	–	–	2,074,474	2,074,474
Derivative financial instruments	4,342,531	–	–	4,342,531
Loans and advances	–	–	2,413,762,291	2,413,762,291
Debt instruments	6,503,801	13,321,766	1,082,179,876	1,102,005,443
Equity Instruments	2,726,221	4,980,790	–	7,707,011
Total financial assets	13,572,553	18,302,556	3,659,743,245	3,691,618,354

As at 31 December	2021		
	Fair value through profit or loss LKR '000	Amortised cost LKR '000	Total LKR '000
Financial liabilities			
Due to banks	–	17,936,070	17,936,070
Securities sold under repurchase agreements	–	162,156,413	162,156,413
Derivative financial instruments	380,328	–	380,328
Financial liabilities at amortised cost			
Due to depositors	–	2,866,894,010	2,866,894,010
Other borrowings	–	444,107,977	444,107,977
Subordinated liabilities	–	64,358,855	64,358,855
Total financial liabilities	380,328	3,555,453,325	3,555,833,653

21.2 Group

As at 31 December	2022			
	Fair value through profit or loss LKR '000	Fair value through OCI LKR '000	Amortised cost LKR '000	Total LKR '000
Financial assets				
Cash and cash equivalents	–	–	135,230,827	135,230,827
Balances with central banks	–	–	70,494,529	70,494,529
Placements with banks	–	–	17,811,665	17,811,665
Securities purchased under resale agreements	–	–	1,463,368	1,463,368
Derivative financial instruments	57,155,486	–	–	57,155,486
Loans and advances	–	–	2,355,978,333	2,355,978,333
Debt instruments	7,953,955	3,361,267	1,562,373,679	1,573,688,901
Equity Instruments	2,682,235	7,388,777	–	10,071,012
Total financial assets	67,791,676	10,750,044	4,143,352,401	4,221,894,121

As at 31 December	2022		
	Fair value through profit or loss LKR '000	Amortised cost LKR '000	Total LKR '000
Financial liabilities			
Due to banks	–	11,547,714	11,547,714
Securities sold under repurchase agreements	–	179,938,744	179,938,744
Derivative financial instruments	921,033	–	921,033
Financial liabilities at amortised cost			
Due to depositors	–	3,358,198,424	3,358,198,424
Other borrowings	–	397,083,583	397,083,583
Debt securities issued	–	58,807	58,807
Subordinated liabilities	–	63,498,599	63,498,599
Total financial liabilities	921,033	4,010,325,871	4,011,246,904

Notes to the Financial Statements

As at 31 December	2021			
	Fair value through profit or loss LKR '000	Fair value through OCI LKR '000	Amortised cost LKR '000	Total LKR '000
Financial assets				
Cash and cash equivalents	–	–	82,313,908	82,313,908
Balances with central banks	–	–	74,121,781	74,121,781
Placements with banks	–	–	5,342,369	5,342,369
Securities purchased under resale agreements	–	–	2,976,664	2,976,664
Derivative financial instruments	4,342,531	–	–	4,342,531
Loans and advances	–	–	2,446,330,329	2,446,330,329
Debt instruments	6,663,099	16,680,902	1,082,837,662	1,106,181,663
Equity instruments	2,977,714	6,198,908	–	9,176,622
Total financial assets	13,983,344	22,879,810	3,693,922,713	3,730,785,867

As at 31 December	2021		
	Fair value through profit or loss LKR '000	Amortised cost LKR '000	Total LKR '000
Financial liabilities			
Due to banks	–	18,646,339	18,646,339
Securities sold under repurchase agreements	–	161,668,335	161,668,335
Derivative financial instruments	380,328	–	380,328
Financial liabilities at amortised cost			
Due to depositors	–	2,886,237,094	2,886,237,094
Other borrowings	–	447,875,002	447,875,002
Debt securities issued	–	2,107,182	2,107,182
Subordinated liabilities	–	64,105,970	64,105,970
Total financial liabilities	380,328	3,580,639,922	3,581,020,250

22 Cash and cash equivalents

Accounting policy

Cash and cash equivalents include local and foreign currency notes and coins in hand, unrestricted balances held with central banks, balances with other banks and highly liquid financial assets with original maturities of less than seven days, which are subject to insignificant risk of changes in their fair value and are used by the Group to manage its short-term commitments. Cash and cash equivalents are carried at amortised cost. The losses arising from impairment are recognised in "Impairment charge/(reversal) for loans and other losses" (Note 14) in the Statement of Profit or Loss.

		Bank		Group	
As at 31 December	Note	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Local currency in hand		52,787,832	46,231,509	53,079,306	46,414,486
Foreign currency in hand		4,903,650	1,588,213	4,903,650	1,601,562
Balances with banks		41,947,117	33,081,008	42,335,121	33,642,667
Money at call and short notice		28,787,088	1,758,879	34,936,920	669,007
Gross cash and cash equivalents		128,425,687	82,659,609	135,254,997	82,327,722
Less: Accumulated impairment	22.2	24,155	12,203	24,170	13,814
Net cash and cash equivalents		128,401,532	82,647,406	135,230,827	82,313,908

22.1 Analysis of cash and cash equivalents based on exposure to credit risk

Bank

As at 31 December	2022				2021
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Total LKR '000
Balances with banks	41,947,117	–	–	41,947,117	33,081,008
Money at call and short notice	28,787,088	–	–	28,787,088	1,758,879
	70,734,205	–	–	70,734,205	34,839,887
Less: Accumulated impairment	24,155	–	–	24,155	12,203
Net cash equivalents	70,710,050	–	–	70,710,050	34,827,684

Group

As at 31 December	2022				2021
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Total LKR '000
Balances with banks	42,335,121	–	–	42,335,121	33,642,667
Money at call and short notice	34,936,920	–	–	34,936,920	669,007
	77,272,041	–	–	77,272,041	34,311,674
Less: Accumulated impairment	24,170	–	–	24,170	13,814
Net cash equivalents	77,247,871	–	–	77,247,871	34,297,860

Notes to the Financial Statements

22.2 Movement in provision for impairment during the year

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Movement in Stage 1 impairment				
Balance as at 1 January	12,203	11,268	13,814	12,813
Charge/(write back) to income statement	11,952	935	10,356	1,001
Balance as at 31 December	24,155	12,203	24,170	13,814

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Movement in total impairment				
Balance as at 1 January	12,203	11,268	13,814	12,813
Charge/(write back) to income statement	11,952	935	10,356	1,001
Balance as at 31 December	24,155	12,203	24,170	13,814

23 Balances with central banks

Accounting policy

Balances with central banks are carried at amortised cost in the Statement of Financial Position.

	Bank		Group	
As at 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Statutory balances with central banks				
Central Bank of Sri Lanka	63,270,482	68,797,576	63,270,482	68,797,576
Other central banks	7,224,047	5,324,205	7,224,047	5,324,205
Total balances with central banks	70,494,529	74,121,781	70,494,529	74,121,781

23.1 Central Bank of Sri Lanka (CBSL)

In terms of the provisions of Section 93 of the Monetary Law Act No. 58 of 1949, the Bank is required to maintain a cash reserve with Central Bank of Sri Lanka. The minimum cash reserve requirement as of 31 December 2022 was 4.0% (2021 – 4.0%) of Sri Lankan Rupee deposit liabilities. There is no reserve requirement for foreign currency deposit liabilities maintained by domestic branches and the deposit liabilities of the Off-shore Banking Division in Sri Lanka (2021 – Nil).

23.2 Reserve Bank of India (RBI)

In terms of the provisions of Section 42 (1) of the Reserve Bank of India (RBI) Act No. 02 of 1934, the branch in Chennai is required to maintain a cash reserve with RBI. The minimum cash reserve as of 31 December 2022 was 4.5% on its demand and term deposit liabilities. (2021 – 4.0%).

23.3 Maldives Monetary Authority (MMA)

In accordance with the prevailing regulations of Maldives Monetary Authority (MMA), the branch in Maldives is required to maintain a reserve deposit based on 10.0% of the branch's commercial deposits and liabilities to the public in the Maldives in Maldivian Rufiyaa and 10.0% of the branch's commercial deposits and liabilities to the public in the Maldives in United States Dollar. (2021 – 10.0% for Maldivian Rufiyaa and 5.0% for United States Dollar seperately).

23.4 Central Bank of Seychelles (CBS)

In accordance with the regulations of Central Bank of Seychelles, the branch in Seychelles is required to maintain a reserve deposit based on 13.0% on rupee deposits of the branch's commercial deposits liabilities to the public in Seychelles and 13% for foreign currency deposits of the branch's commercial deposits liabilities to the public in Seychelles (2021– 10.0% for Seychelles Rupee and 13.0% for foreign currency deposits).

24 Placements with banks

Accounting policy

Placements with banks include balances with other banks with original maturities of more than seven days which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss
- Those that upon initial recognition, designates as fair value through other comprehensive income
- Those for which may not recover substantially all of its initial investment, other than due to credit deterioration

Placement with banks are initially measured at fair value. After initial measurement, they are subsequently measured at amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. Interest income from placement with banks is included in "Interest income" (Note 8.1) in the Statement of Profit or Loss. The losses arising from impairment are recognised in "Impairment charge/(reversal) for loans and other losses" (Note 14) in the Statement of Profit or Loss. Certain placements with banks are written off when they are determined to be uncollectible.

		Bank		Group	
As at 31 December	Note	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Within Sri Lanka		680,503	–	784,185	184,016
Outside Sri Lanka		16,098,749	4,957,950	17,347,429	5,160,954
Gross placements with banks		16,779,252	4,957,950	18,131,614	5,344,970
Less: Accumulated impairment	24.2	319,949	533	319,949	2,601
Net placements with banks		16,459,303	4,957,417	17,811,665	5,342,369

24.1 Analysis of placements with banks based on exposure to credit risk

Bank

As at 31 December	2022				2021
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Total LKR '000
Within Sri Lanka	680,503	–	–	680,503	–
Outside Sri Lanka	16,098,749	–	–	16,098,749	4,957,950
	16,779,252	–	–	16,779,252	4,957,950
Less: Accumulated impairment	319,949	–	–	319,949	533
Net placements with banks	16,459,303	–	–	16,459,303	4,957,417

Notes to the Financial Statements

Group

As at 31 December	2022				2021
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Total LKR '000
Within Sri Lanka	784,185	–	–	784,185	184,016
Outside Sri Lanka	17,347,429	–	–	17,347,429	5,160,954
	18,131,614	–	–	18,131,614	5,344,970
Less: Accumulated impairment	319,949	–	–	319,949	2,601
Net placements with banks	17,811,665	–	–	17,811,665	5,342,369

24.2 Movement in provision for impairment during the year

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Movement in Stage 1 impairment				
Balance as at 1 January	533	394	2,601	2,395
Charge/(reversal) during the year	319,416	139	317,348	206
Balance as at 31 December	319,949	533	319,949	2,601

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Movement in total impairment				
Balance as at 1 January	533	394	2,601	2,395
Charge/(reversal) during the year	319,416	139	317,348	206
Balance as at 31 December	319,949	533	319,949	2,601

25 Securities purchased under resale agreements

Accounting policy

Securities purchased under resale agreements (reverse repos) are purchased with an agreement to sell them at a higher price at a specific future date. The consideration paid and accrued interest (measured by using the EIR) are recorded in the Statement of Financial Position, reflecting the transaction's economic substance as an advance granted by the Group. The difference between the purchase price and resale price is recognised as "Interest income" (Note 8.1) and is amortised over the life of the agreement.

As at 31 December	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
With banks	1,480,403	2,074,474	1,463,368	2,938,095
With customers	–	–	–	38,569
Total securities purchased under resale agreements	1,480,403	2,074,474	1,463,368	2,976,664

26 Derivative financial instruments

Accounting policy

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk, indices etc. Derivatives are categorised as trading unless they are designated as hedging instruments. All derivatives are initially recognised and subsequently measured at fair value, with all revaluation gains or losses recognised in the Statement of Profit or Loss under "Net gains/(losses) from trading" (Note 10). Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Fair value is determined using the forward market rates ruling on the reporting date.

	Bank		Group	
As at 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Foreign currency derivatives				
Forward exchange contracts	3,045	27,558	3,045	27,558
Currency SWAPs	57,152,441	4,314,973	57,152,441	4,314,973
Total derivative financial instruments	57,155,486	4,342,531	57,155,486	4,342,531

27 Financial assets recognised through profit or loss – measured at fair value

Accounting policy

Financial instruments are classified as financial assets measured at fair value through profit or loss if they have been acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short term profit or position taking. Further as per SLFRS 9, "Financial Instruments" financial assets recognised through profit or loss includes all financial assets other than those classified under FVTOCI and amortised cost.

All financial assets under this category are initially and subsequently measured at fair value. Upon initial recognition, transaction cost are directly attributable to the acquisition are recognised in the Statement of Profit or Loss. Interest income is recorded in "Interest income" (Note 8.1) according to the terms of the contract. Dividend are recognised in "Net gains/(losses) from trading" (Note 10). Changes in fair value are recognised in "Net fair value gains/(losses) from financial instruments at fair value through profit or loss" (Note 11).

	Note	Bank		Group	
As at 31 December		2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Measured at fair value					
Sri Lanka Government securities					
Treasury bills		3,408,566	2,308,810	3,408,566	2,308,810
Treasury bonds		459,119	27,656	459,119	131,378
Quoted equities	27.2	2,387,814	2,726,221	2,681,665	2,977,714
Units in unit trusts	27.3	4,024,556	4,167,335	4,086,840	4,222,911
Financial assets recognised through profit or loss		10,280,055	9,230,022	10,636,190	9,640,813

Notes to the Financial Statements

27.1 By currency

As at 31 December	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Sri Lankan Rupee	10,280,055	9,230,022	10,636,190	9,640,813
Total	10,280,055	9,230,022	10,636,190	9,640,813

27.2 Quoted equities

27.2.1 Sector wise composition of quoted equities

As at 31 December	2022			2021		
Sector	Cost of investment LKR '000	Market value LKR '000	Sector wise composition of market value %	Cost of investment LKR '000	Market value LKR '000	Sector wise composition of market value %
Bank (Note 27.2.2)						
Banks	9,902	5,253	0.2	9,739	8,830	0.3
Capital goods	1,551,926	1,085,204	45.4	1,500,551	1,265,377	46.4
Consumer durables and apparel	144,930	87,402	3.7	107,586	107,866	4.0
Consumer services	697,470	312,240	13.1	712,023	337,726	12.4
Diversified financials	107,566	23,524	1.0	108,747	40,345	1.5
Energy	142,739	34,547	1.4	142,739	59,859	2.2
Food and staples retailing	23,200	23,475	1.0	31,733	24,181	0.9
Food, beverage and tobacco	554,882	319,510	13.4	526,183	367,076	13.5
Health care equipment and services	–	–	–	34,751	32,356	1.2
Materials	423,762	225,475	9.4	385,967	297,046	10.9
Real estate	20,981	14,271	0.6	20,981	18,390	0.7
Retailing	160,669	92,487	3.9	150,490	102,192	3.7
Telecommunication services	7,496	14,552	0.6	7,496	8,303	0.3
Transportation	200,963	111,601	4.7	–	–	–
Utilities	62,026	38,273	1.6	41,736	56,674	2.0
Quoted equity Bank	4,108,512	2,387,814	100.0	3,780,722	2,726,221	100.0

As at 31 December	2022			2021		
Sector	Cost of investment LKR '000	Market value LKR '000	Sector wise composition of market value %	Cost of investment LKR '000	Market value LKR '000	Sector wise composition of market value %
Group (Note 27.2.3)						
Banks	9,902	5,253	0.2	72,446	45,541	1.5
Capital goods	1,681,285	1,153,085	43.0	1,542,631	1,301,427	43.7
Commercial and professional services	693	512	0.0	–	–	–
Consumer durables and apparel	154,544	92,873	3.5	132,305	132,075	4.4
Consumer services	767,267	365,083	13.6	771,351	392,630	13.2
Diversified financials	185,302	61,155	2.3	146,921	67,397	2.3
Energy	144,615	35,633	1.3	144,470	61,566	2.1
Food and staples retailing	24,562	24,458	0.9	31,733	24,181	0.8
Food, beverage and tobacco	621,800	361,749	13.5	563,717	389,400	13.1
Health care equipment and services	669	526	0.0	35,651	33,256	1.1
Insurance	10,683	11,232	0.4	2,683	2,533	0.1
Materials	472,128	252,995	9.4	408,081	315,088	10.6
Real estate	40,412	24,700	0.9	32,937	30,040	1
Retailing	166,860	96,396	3.6	153,503	105,117	3.5
Software and services	1,277	1,020	0.0	–	–	–
Telecommunication services	7,496	14,552	0.5	7,896	8,691	0.3
Transportation	217,454	123,536	4.6	–	–	–
Utilities	85,618	56,907	2.1	47,800	68,772	2.3
Quoted equity Group	4,592,567	2,681,665	100.0	4,094,125	2,977,714	100.0

Notes to the Financial Statements

27.2.2 Quoted equities – Bank

As at 31 December	Bank							
	2022				2021			
	Number of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000	Number of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000
Banks								
Hatton National Bank PLC	66,584	9,902	78.90	5,253	65,406	9,739	135.00	8,830
Total of bank sector		9,902		5,253		9,739		8,830
Capital goods								
Access Engineering PLC	2,376,286	74,164	10.70	25,426	926,286	25,024	31.90	29,549
Aitken Spence PLC	2,050,067	202,690	128.00	262,409	2,596,230	256,689	82.40	213,929
Brown & Company PLC	234,241	38,480	118.00	27,640	284,241	46,694	369.50	105,027
Colombo Dockyard PLC	897,625	201,955	59.00	52,960	897,625	201,955	79.40	71,271
Hayleys PLC	250,000	25,956	68.00	17,000	400,000	41,530	130.00	52,000
Hemas Holdings	1,127,296	99,068	56.40	63,579	1,127,296	99,068	66.90	75,416
John Keells Holdings PLC	4,088,677	683,389	135.25	552,994	3,988,677	668,099	150.00	598,302
Lankem Ceylon PLC	72,400	32,702	91.20	6,603	72,400	32,702	47.80	3,461
Renuka Holdings PLC	1,255,887	40,123	13.80	17,331	1,211,821	39,639	19.40	23,509
Royal Ceramics Lanka PLC	850,000	64,218	28.30	24,055	250,000	19,475	78.10	19,525
The Colombo Fort Land & Building PLC	149,500	10,307	28.30	4,231	149,500	10,307	25.40	3,797
UNISYST Engineering PLC	1,673,758	27,116	5.70	9,540	1,315,380	19,777	21.90	28,807
Vallibel One PLC	712,143	51,758	30.10	21,436	561,758	39,592	72.60	40,784
Total of capital goods sector		1,551,926		1,085,204		1,500,551		1,265,377
Consumer durables and apparel								
Ambeon Holdings PLC	385,000	23,273	35.30	13,591	385,000	23,273	48.90	18,827
Hayleys Fabric PLC	1,259,527	49,543	22.60	28,465	1,390,612	54,698	41.20	57,293
Hela Apparel Holdings PLC	548,400	8,226	8.50	4,661	–	–	–	–
Regnis Lanka PLC	300,000	25,500	42.10	12,630	–	–	–	–
Teejay Lanka PLC	885,000	38,388	31.70	28,055	715,000	29,615	44.40	31,746
Total of consumer durables and apparel sector		144,930		87,402		107,586		107,866
Consumer Services								
Aitken Spence Hotel Holdings PLC	2,547,424	232,670	50.80	129,409	2,547,424	232,670	42.30	107,756
Asian Hotels and Properties PLC	2,367,741	225,788	37.40	88,554	2,367,741	225,788	44.10	104,417
Citrus Leisure PLC	100,000	10,112	6.00	600	100,000	10,112	8.90	890
Eden Hotel Lanka PLC	775,550	41,864	17.60	13,650	775,550	41,864	33.30	25,826
Hayleys Leisure PLC	1,186,240	53,020	21.10	25,030	1,186,240	53,020	22.50	26,690
John Keells Hotels PLC	–	–	–	–	893,487	14,553	14.70	13,134
Tal Lanka Hotels PLC	447,400	30,043	16.40	7,337	447,400	30,043	22.10	9,888
Tangerine Beach Hotels PLC	50,000	5,056	59.10	2,955	50,000	5,056	66.00	3,300
The Fortress Resorts PLC	1,461,100	50,510	15.90	23,231	1,461,100	50,510	13.40	19,579
Trans Asia Hotels PLC	477,200	48,407	45.00	21,474	477,200	48,407	55.00	26,246
Total of consumer services sector		697,470		312,240		712,023		337,726

As at 31 December	Bank							
	2022				2021			
	Number of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000	Number of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000
Diversified financials								
Ceylon Guardian Investment Trust PLC	107,248	32,506	62.80	6,735	107,847	32,747	104.00	11,216
Ceylon Investment PLC	538,124	75,060	31.20	16,789	543,451	76,000	53.60	29,129
Total of diversified financials sector		107,566		23,524		108,747		40,345
Energy								
Laugfs Gas PLC - Non-voting	3,420,538	142,739	10.10	34,547	3,420,538	142,739	17.50	59,859
Total of Energy Sector		142,739		34,547		142,739		59,859
Food and Staples Retailing								
Cargills (Ceylon) PLC	100,000	23,200	234.75	23,475	100,000	23,200	215.25	21,525
Ceylon and Foreign Trades PLC	–	–	–	–	830,100	8,533	3.20	2,656
Total of food and staples retailing sector		23,200		23,475		31,733		24,181
Food, beverage and tobacco								
Agalawatte Plantations PLC	–	–	–	–	700,113	35,169	53.70	37,596
Bukit Darah PLC	119,257	83,965	291.75	34,793	119,257	83,965	402.50	48,001
Carson Cumberbatch PLC	313,352	141,328	269.75	84,527	313,352	141,328	307.00	96,199
Ceylon Tobacco Company PLC	143,175	137,098	625.00	89,484	143,175	137,098	878.00	125,708
Horana Plantations PLC	465,700	39,720	61.90	28,827	465,700	39,720	30.10	14,018
Kahawatte Plantations PLC	371,164	15,013	24.50	9,094	708,674	28,666	27.60	19,559
Kotagala Plantations PLC	729,997	34,709	7.70	5,621	729,997	34,709	7.70	5,621
Lucky Lanka Milk Processing PLC – Non-voting	91,900	276	0.80	74	91,900	276	0.80	74
Lucky Lanka Milk Processing PLC – Voting	1,000,000	6,000	1.10	1,100	1,000,000	6,000	1.10	1,100
Melstacorp PLC	713,504	41,825	46.20	32,964	342,238	19,252	56.10	19,200
Sunshine Holdings PLC	949,010	54,948	34.80	33,026	–	–	–	–
Total of food, beverage and tobacco sector		554,882		319,510		526,183		367,076
Health care equipment and services								
Asiri Hospital Holdings PLC	–	–	–	–	300,000	9,742	32.50	9,750
The Lanka Hospital Corporation PLC	–	–	–	–	411,773	25,009	54.90	22,606
Total of health care equipment and services sector		–		–		34,751		32,356

Notes to the Financial Statements

As at 31 December	Bank							
	2022				2021			
	Number of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000	Number of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000
Materials								
ACL Plastics	–	–	–	–	5,146	2,431	570.75	2,937
Alumex PLC	2,254,360	34,864	7.20	16,231	–	–	–	–
Chemanex PLC	118,179	18,563	72.00	8,509	101,263	16,618	77.30	7,828
Chevron Lubricants Lanka PLC	1,272,121	161,138	96.50	122,760	1,272,121	161,138	113.00	143,750
CIC Holdings PLC – Voting	–	–	–	–	300,000	12,094	65.00	19,500
Dipped Products PLC	676,913	39,302	29.10	19,698	676,913	39,302	50.70	34,319
Lanka Cement PLC	7,265,828	63,576	2.50	18,165	7,265,828	63,576	2.50	18,165
Swisstek (Ceylon) PLC	567,798	26,441	15.70	8,914	237,175	10,930	46.00	10,910
Tokyo Cement Co Ltd.	1,199,941	79,878	26.00	31,198	1,199,941	79,878	49.70	59,637
Total of materials sector		423,762		225,475		385,967		297,046
Real estate								
Overseas Realty (Ceylon) PLC	957,794	20,981	14.90	14,271	957,794	20,981	19.20	18,390
Total of real estate sector		20,981		14,271		20,981		18,390
Retailing								
Diesel and Motor Engineering PLC	61,054	63,661	599.00	36,571	81,054	84,515	618.00	50,091
Hunters & Company PLC	17,989	14,552	707.00	12,718	18,000	14,561	650.00	11,700
John Keells PLC	250,200	22,758	65.10	16,288	250,200	22,758	71.90	17,989
Odel PLC	222,295	9,325	17.30	3,846	222,295	9,325	25.20	5,602
R I L Property PLC	2,478,566	34,176	5.70	14,128	–	–	–	–
Sathosa Motors PLC	13,194	5,111	130.25	1,719	13,194	5,111	201.50	2,659
United Motors Lanka PLC	118,500	11,086	60.90	7,217	152,000	14,220	93.10	14,151
Total of retailing sector		160,669		92,487		150,490		102,192
Telecommunication services								
Sri Lanka Telecom PLC	214,000	7,496	68.00	14,552	214,000	7,496	38.80	8,303
Total of telecommunication services sector		7,496		14,552		7,496		8,303
Transportation								
Expolanka Holdings PLC	612,352	200,963	182.25	111,601	–	–	–	–
Total of transportation sector		200,963		111,601				
Utilities								
Laugfs Power PLC – Non-voting	1,297,831	–	6.80	8,825	1,297,831	–	8.50	11,032
Panasian Power PLC	1,029,200	6,402	3.40	3,499	1,029,200	6,402	5.50	5,661
Resus Energy PLC	1,066,031	37,729	11.80	12,579	977,527	35,334	40.90	39,981
Windforce PLC	897,300	17,895	14.90	13,370	–	–	–	–
Total of utilities sector		62,026		38,273		41,736		56,674
Total quoted equities		4,108,512		2,387,814		3,780,722		2,726,221

27.2.3 Quoted equities – Group

As at 31 December	Group							
	2022				2021			
	Number of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000	Number of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000
Banks								
Hatton National Bank PLC – Voting	66,584	9,902	78.90	5,253	65,406	9,739	135.00	8,830
National Development Bank PLC	–	–	–	–	20,000	3,504	68.90	1,378
Nations Trust Bank PLC	–	–	–	–	209,949	19,546	55.00	11,547
Sanasa Development Bank PLC	–	–	–	–	98,770	9,029	43.00	4,247
Seylan Bank PLC – Non-voting	–	–	–	–	205	8	33.30	7
Seylan Bank PLC – Voting	–	–	–	–	443,912	30,620	44.00	19,532
Total of banks sector		9,902		5,253		72,446		45,541
Capital goods								
Access Engineering PLC	2,851,278	90,552	10.70	30,509	951,286	25,887	31.90	30,346
ACL Cables PLC	54,000	4,980	70.10	3,785	–	–	–	–
Aitken Spence PLC	2,050,067	202,690	128.00	262,409	2,596,230	256,689	82.40	213,929
Brown and Company PLC	331,079	67,958	118.00	39,067	284,241	46,694	369.50	105,027
Central Industries PLC	10,000	949	58.00	580	–	–	–	–
Colombo Dockyard PLC	947,625	206,451	59.00	55,910	897,625	201,955	79.40	71,271
E B Creasy & Company PLC	5,000	285	20.60	103	5,000	285	26.50	133
Hayleys PLC	324,275	33,113	68.00	22,051	400,000	41,530	130.00	52,000
Hemas Holdings PLC	1,212,811	106,862	56.40	68,403	1,177,296	104,246	66.90	78,761
John Keells Holdings PLC	4,152,544	693,008	135.25	561,632	4,095,048	684,131	150.00	614,257
Kelani Cables PLC	250	110	259.76	65	–	–	–	–
Lanka Tiles PLC	7,500	734	46.10	346	–	–	–	–
Lankem Ceylon PLC	72,400	32,702	91.20	6,603	72,400	32,702	47.80	3,461
Mackwoods Energy PLC	1,200,000	3,848	2.50	3,000	1,200,000	3,848	2.90	3,480
MTD Walkers PLC	165,000	6,751	–	–	165,000	6,751	14.80	2,442
Renuka Holdings PLC	2,077,204	55,101	13.80	28,665	1,288,306	41,135	19.40	24,993
Renuka Holdings PLC – Non-voting	156	2	12.80	2	–	–	–	–
Richard Pieris & Company PLC	60,000	1,609	24.10	1,446	–	–	–	–
Royal Ceramics Lanka PLC	1,032,000	74,742	28.30	29,206	250,000	19,475	78.10	19,525
Serendib Engineering	–	–	–	–	164,900	1,136	7.00	1,154
The Colombo Fort Land & Building PLC	149,500	10,307	28.30	4,231	149,500	10,307	25.40	3,797
Unisyst Engineering PLC	1,673,758	27,116	5.70	9,540	1,315,380	19,777	21.90	28,807
Vallibel One PLC	848,223	61,415	30.10	25,532	661,758	46,083	72.60	48,044
Total of capital goods sector		1,681,285		1,153,085		1,542,631		1,301,427

Notes to the Financial Statements

As at 31 December	Group							
	2022				2021			
	Number of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000	Number of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000
Consumer durables and apparel								
Ambeon Capital	80,000	1,004	9.90	792	–	–	–	–
Ambeon Holdings PLC	385,000	23,273	35.30	13,591	385,000	23,273	48.90	18,827
Blue Diamonds Jewellery Worldwide PLC – Non-voting	5,250,000	3,125	0.30	1,575	250,000	125	0.50	125
Dankotuwa Porcelain PLC	–	–	–	–	1,000,000	15,395	14.60	14,600
Hayleys Fabric PLC	1,359,527	53,472	22.60	30,725	1,390,612	54,698	41.20	57,293
Hayleys Fibre PLC	–	–	–	–	34,741	2,768	81.30	2,824
Hela Apparel Holdings PLC	641,354	9,708	8.50	5,452	–	–	–	–
Regnis Lanka PLC	300,000	25,500	42.10	12,630	–	–	–	–
Singer Industry	1,486	74	35.90	53	–	–	–	–
Teejay Lanka PLC	885,000	38,388	31.70	28,055	865,000	36,046	44.40	38,406
Total of consumer durables and apparel sector		154,544		92,873		132,305		132,075
Commercial and professional services								
E M L Consultants PLC	131,352	693	3.90	512	–	–	–	–
Total of commercial and professional services		693		512		–		–
Consumer services								
Aitken Spence Hotel Holdings PLC	2,547,424	232,670	50.80	129,409	2,547,424	232,670	42.30	107,756
Anilana Hotels & Properties PLC	750,000	1,106	0.90	675	1,000,000	1,475	1.40	1,400
Asian Hotels and Properties PLC	2,367,741	225,788	37.40	88,554	2,367,741	225,788	44.10	104,417
Beruwala Resorts PLC	250,000	350	1.20	300	–	–	–	–
Browns Beach Hotel PLC	10,000	135	12.70	127	–	–	–	–
Citrus Leisure PLC	251,086	11,310	6.00	1,507	136,296	10,502	8.90	1,213
Dolphin Hotels PLC	–	–	–	–	15,000	630	37.20	558
Eden Hotel Lanka PLC	903,293	45,541	17.60	15,898	903,293	45,541	33.30	30,080
Galadari Hotels (Lanka) PLC	50,000	724	12.50	625	–	–	–	–
Hayleys Leisure PLC	1,254,106	54,708	21.10	26,462	1,229,106	54,113	22.50	27,655
Hikkaduwa Beach Resort PLC	194,353	1,252	5.00	972	–	–	–	–
John Keells Hotels PLC	–	–	–	–	893,487	14,553	14.70	13,134
Palm Garden Hotels PLC	35,000	2,341	55.30	1,936	28,000	2,052	121.50	3,402
Tal Lanka Hotels PLC	447,400	30,043	16.40	7,337	447,400	30,043	22.10	9,888
Tangerine Beach Hotels PLC	52,500	5,256	59.10	3,103	52,500	5,256	66.00	3,465
The Fortress Resorts PLC	1,461,100	50,510	15.90	23,231	1,461,100	50,510	13.40	19,579
The Kandy Hotels Company (1938) PLC	215,006	1,972	7.20	1,548	175,000	1,617	8.40	1,470
The Kingsbury PLC	3,875,454	41,834	8.50	32,941	3,875,454	41,834	9.50	36,817
The Lighthouse Hotel PLC	124,467	4,704	30.00	3,734	–	–	–	–
Trans Asia Hotels PLC	477,200	48,407	45.00	21,474	477,200	48,407	55.00	26,246
Waskaduwa Beach Resort PLC	2,100,000	8,616	2.50	5,250	1,500,000	6,340	3.70	5,550
Total of consumer services sector		767,267		365,083		771,351		392,630

As at 31 December	Group							
	2022				2021			
	Number of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000	Number of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000
Diversified financials								
Asia Asset Finance PLC	399,999	4,056	7.70	3,080	399,999	4,252	8.40	3,360
Asiya Siyaka PLC	–	–	–	–	750,000	2,528	3.20	2,400
Associated Motor Finance Company PLC	50,000	643	8.10	405	–	–	–	–
Capital Alliance PLC	30,000	669	19.90	597	–	–	–	–
Central Finance Company PLC	73,205	8,172	62.50	4,575	48,205	5,722	93.00	4,483
Ceylon Guardian Investment Trust PLC	107,248	32,506	62.80	6,735	107,847	32,747	104.00	11,216
Ceylon Investment PLC	603,169	81,740	31.20	18,819	610,425	82,411	53.60	32,719
Commercial Leasing & Finance PLC	–	–	–	–	59,835	2,323	29.90	1,789
First Capital Holdings PLC	10,000	260	22.90	229	–	–	–	–
Galle Face Capital Partners PLC	32,500	1,026	16.10	523	–	–	–	–
Guardian Capital Parteners PLC	18,472	1,006	16.10	297	18,472	1,006	34.20	632
HNB Finance PLC-Non Voting	25,000	259	4.20	105	25,000	259	9.60	240
Lanka Credit & Business Finance PLC	836,561	3,408	2.30	1,924	500,000	2,260	3.90	1,950
LB Finance PLC	25,000	1,867	40.00	1,000	–	–	–	–
LOLC Development Finance PLC	–	–	–	–	2,000	960	325.25	651
LOLC Finance PLC	898,277	16,758	8.20	7,366	200,000	5,168	20.00	4,000
LOLC Holdings PLC	25,346	20,293	398.00	10,088	–	–	–	–
Orient Finance PLC	–	–	–	–	30,000	378	16.00	480
People's Leasing & Finance PLC	477,768	5,186	5.00	2,389	211,538	3,000	10.70	2,263
People's Merchant Finance PLC	–	–	–	–	50,000	375	6.80	340
Shaw Wallace Investments PLC	20,213	238	7.10	144	–	–	–	–
SMB Finance PLC – Non-voting	5,000,000	3,000	0.30	1,500	–	–	–	–
Softlogic Finance PLC	122,056	4,215	11.30	1,379	67,215	3,532	13.00	874
Total of diversified financials sector		185,302		61,155		146,921		67,397
Energy								
Laugfs Gas PLC – Non-voting	3,528,038	144,615	10.10	35,633	3,518,038	144,470	17.50	61,566
Total of energy sector		144,615		35,633		144,470		61,566
Food and staples retailing								
Cargills (Ceylon) PLC	100,000	23,200	234.75	23,475	100,000	23,200	215.25	21,525
Ceylon and Foreign Trades PLC	–	–	–	–	830,100	8,533	3.20	2,656
Tess Agro PLC	733,224	1,048	1.10	807	–	–	–	–
Tess Agro PLC – Non-voting	220,353	314	0.80	176	–	–	–	–
Total of food and staples retailing sector		24,562		24,458		31,733		24,181

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As at 31 December	Group							
	2022				2021			
	Number of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000	Number of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000
Food, beverage and tobacco								
Agalawatte Plantations PLC	147,500	7,895	31.90	4,705	700,113	35,169	53.70	37,596
Browns Investments PLC	2,440,262	29,811	7.00	17,082	–	–	–	–
Bukit Darah PLC	119,257	83,965	291.75	34,793	119,257	83,965	402.50	48,001
Carson Cumberbatch PLC	313,352	141,328	269.75	84,527	313,352	141,328	307.00	96,199
Ceylon Cold Stores PLC	187,000	12,200	36.90	6,900	17,500	11,653	530.00	9,275
Ceylon Tobacco Company PLC	143,175	137,098	625.00	89,484	143,175	137,098	878.00	125,708
Distilleries Company of Sri Lanka PLC	75,000	1,512	13.20	990	75,000	1,512	17.00	1,275
Elpitiya Plantations PLC	3,830	396	86.00	329	–	–	–	–
Horana Plantations PLC	465,700	39,720	61.90	28,827	465,700	39,720	30.10	14,018
HVA Foods PLC	160,000	1,342	3.70	592	150,000	1,302	6.70	1,005
Kahawatte Plantations PLC	371,164	15,013	24.50	9,094	708,674	28,666	27.60	19,559
Kotagala Plantations PLC	764,997	35,014	7.70	5,890	729,997	34,709	7.70	5,621
Kotmale Holdings PLC	2,296	952	386.25	887	633	253	444.25	281
Lucky Lanka Milk Processing PLC – Non-voting	91,900	276	0.80	74	91,900	276	0.80	74
Lucky Lanka Milk Processing PLC – Voting	1,000,000	6,000	1.10	1,100	3,514,546	20,958	1.10	3,866
Malwatte Valley Plantations PLC – Voting	–	–	–	–	25,000	700	28.00	700
Melstacorp PLC	893,504	51,679	46.20	41,280	467,238	26,402	56.10	26,212
Renuka Agri Foods PLC	210,000	1,436	5.60	1,176	–	–	–	–
Raigam Wayamba Salterns PLC	50,000	391	5.80	290	–	–	–	–
Sunshine Holdings PLC	969,221	55,772	34.80	33,729	211	6	45.40	10
Total of food, beverage and tobacco sector		621,800		361,749		563,717		389,400
Healthcare equipment and services								
Asiri Hospital Holdings PLC	5,000	210	25.70	129	300,000	9,742	32.50	9,750
Asiri Surgical Hospital PLC	25,000	387	13.00	325	–	–	–	–
Nawaloka Hospitals PLC	10,000	72	7.20	72	–	–	–	–
Singhe Hospital PLC	–	–	–	–	300,000	900	3.00	900
The Lanka Hospital Corporation PLC	–	–	–	–	411,773	25,009	54.90	22,606
Total of health care equipment and services sector		669		526		35,651		33,256
Insurance								
Arpico Insurance PLC	10,000	300	22.70	227	–	–	–	–
Janashakthi Insurance Company PLC	14,634	480	31.70	464	82,500	2,683	30.70	2,533
Softlogic Capital PLC	1,035,000	9,843	10.10	10,454	–	–	–	–
Softlogic Life Insurance PLC	1,000	60	86.60	87	–	–	–	–
Total of insurance sector		10,683		11,232		2,683		2,533

As at 31 December	Group							
	2022				2021			
	Number of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000	Number of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000
Materials								
ACL Plastics	–	–	–	–	5,146	2,431	570.75	2,937
Alumex PLC	2,914,070	42,790	7.20	20,981	–	–	–	–
Bogala Graphite Lanka PLC	39,002	3,099	45.80	1,786	–	–	–	–
Chemanex PLC	118,179	18,563	72.00	8,509	101,263	16,618	77.30	7,828
Chevron Lubricants Lanka PLC	1,341,521	168,708	96.50	129,457	1,272,121	161,138	113.00	143,750
CIC Holdings PLC – Voting	–	–	–	–	300,000	12,094	65.00	19,500
CIC Holdings PLC – Non-voting	5,000	368	55.60	278	–	–	–	–
Dipped Products PLC	841,913	49,954	29.10	24,500	826,913	49,477	50.70	41,924
Ex-Pack Corrugated Cartons PLC	47,500	752	13.10	622	–	–	–	–
Haycarb PLC	57,500	5,503	57.60	3,312	55,000	5,333	76.80	4,224
Industrial Asphalts (Ceylon) PLC	500,000	200	0.30	150	–	–	–	–
JAT Holdings PLC	25,000	574	12.40	310	–	–	–	–
Lanka Cement PLC	7,265,828	63,576	2.50	18,165	7,265,828	63,576	2.50	18,165
Pelwatte Sugar Industries PLC	68,400	2,925	–	–	–	–	–	–
Swisstek (Ceylon) PLC	567,798	26,441	15.70	8,914	237,175	10,930	46.00	10,910
Tokyo Cement Co Ltd	1,285,043	83,390	26.00	33,411	1,324,941	86,484	49.70	65,850
Tokyo Cement Company (Lanka) PLC – Non-voting	100,000	5,285	26.00	2,600	–	–	–	–
Total of materials sector		472,128		252,995		408,081		315,088
Real estate								
City Housing and Real Estate Co. PLC	–	–	–	–	38,435	190	3.60	138
Colombo Land and Development Company PLC	77,639	2,756	15.70	1,219	77,639	2,756	34.40	2,671
East West Properties PLC	500,000	6,014	8.00	4,000	350,000	4,243	10.40	3,640
Lanka Realty Investments PLC	245,000	5,881	10.10	2,475	–	–	–	–
Millennium Housing Developers PLC	–	–	–	–	500,000	2,660	6.20	3,100
Overseas Realty (Ceylon) PLC	996,735	21,577	14.90	14,851	1,007,794	22,031	19.20	19,350
Prime Lands Residencies PLC	150,000	1,995	6.50	975	–	–	–	–
Property Development PLC	–	–	–	–	8,547	1,057	133.50	1,141
Seylan Developments PLC	100,000	2,189	11.80	1,180	–	–	–	–
Total of real estate sector		40,412		24,700		32,937		30,040

Notes to the Financial Statements

As at 31 December	Group							
	2022				2021			
	Number of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000	Number of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000
Retailing								
Ceylon Tea Brokers PLC	35,000	176	4.20	147	–	–	–	–
Diesel and Motor Engineering PLC	61,054	63,661	599.00	36,571	81,054	84,515	618.00	50,091
Eastern Merchants PLC	–	–	–	–	325,000	3,013	9.00	2,925
Hunters and Company PLC	17,989	14,552	707.00	12,718	18,000	14,561	650.00	11,700
John Keells PLC	276,198	24,687	65.10	17,980	250,200	22,758	71.90	17,989
Odel PLC	222,295	9,325	17.30	3,846	222,295	9,325	25.20	5,602
R I L Property PLC	2,818,566	37,987	5.70	16,066	–	–	–	–
Singer (Sri Lanka) PLC	15,751	275	8.40	132	–	–	–	–
Sathosa Motors PLC	13,194	5,111	130.25	1,719	13,194	5,111	201.50	2,659
United Motors Lanka PLC	118,500	11,086	60.90	7,217	152,000	14,220	93.10	14,151
Total of retailing sector		166,860		96,396		153,503		105,117
Software and Services								
hSenid Business Solutions PLC	60,000	1,277	17.00	1,020	–	–	–	–
Application software		1,277		1,020		–		–
Telecommunication services								
Sri Lanka Telecom PLC	214,000	7,496	68.00	14,552	224,000	7,896	38.80	8,691
Total of telecommunication services sector		7,496		14,552		7,896		8,691
Transportation								
Expolanka Holdings PLC	677,839	217,454	182.25	123,536	–	–	–	–
Total of transportation sector		217,454		123,536		–		–
Utilities								
Laugfs Power PLC – Non-voting	1,375,680	714	6.80	9,355	1,397,831	917	8.50	11,882
Panasian Power PLC	1,279,200	7,661	3.40	4,349	1,179,200	7,272	5.50	6,486
Resus Energy PLC	1,321,031	41,136	11.80	15,588	1,211,334	38,741	40.90	49,544
Vallibel Power Erathna PLC	750,000	5,205	6.30	4,725	100,000	870	8.60	860
Vidullanka PLC	1,450,000	11,885	6.10	8,845	–	–	–	–
Vidullanka PLC – Non-voting	150,000	1,121	4.50	675	–	–	–	–
Windforce PLC	897,300	17,895	14.90	13,370	–	–	–	–
Total of utilities sector		85,618		56,907		47,800		68,772
Total quoted equities		4,592,567		2,681,665		4,094,125		2,977,714

27.3 Units in unit trusts

As at 31 December	2022			2021		
	Number of units	Cost of investment LKR '000	Market value LKR '000	Number of units	Cost of investment LKR '000	Market value LKR '000
Bank						
Ceybank Unit Trust	111,307,627	1,738,215	3,432,727	111,307,627	1,738,215	3,466,120
Ceybank Century Growth Fund	7,539,256	132,952	591,756	7,539,256	132,952	701,151
Ceybank Surekum Gilt Edged Fund	4,921	50	73	4,921	50	64
Total units in unit trusts		1,871,217	4,024,556		1,871,217	4,167,335
Group						
Ceybank Unit Trust	111,307,627	1,738,215	3,432,727	111,307,627	1,738,215	3,466,120
Ceybank Century Growth Fund	7,539,256	132,952	591,756	7,539,256	132,952	701,151
Ceybank Surekum Gilt Edged Fund	4,921	50	73	4,921	50	64
Comtrust Money Market Fund	313,271	–	4,186	289,530	2,777	3,597
First Capital Asset Management Limited	8,179	–	8,736	29,387	40,778	51,979
First Capital Money Market Fund	21,207	–	49,362			
Total units in unit trusts		1,871,217	4,086,840		1,914,772	4,222,911

28 Loans and advances to customers

Accounting policy

Loans and advances include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss
- Those that the Bank, upon initial recognition, designates as fair value through OCI
- Those for which the Bank may not recover substantially all of its initial investment, other than due to credit deterioration

"Loans and advances" are initially measured at fair value and subsequently measured at amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in "Interest income" (Note 8.1) in the Statement of Profit or Loss. The losses arising from impairment are recognised in "Impairment charge/(reversal) for loans and other losses" (Note 14) in the Statement of Profit or Loss.

Write-off of loans and receivables

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised. If a write-off is later recovered, the recovery is recognised in the "Net other operating income" (Note 13).

Notes to the Financial Statements

Collateral valuation

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, gold, securities, letters of credit/guarantees, real estate, inventories, other non-financial assets and credit enhancements such as netting arrangements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by Central Bank of Sri Lanka, there on.

Non-financial collaterals, including immovable and movables, are valued based on data provided by the independent professional valuers and Audited Financial Statements.

Collaterals repossessed

The Group's policy is to dispose of repossessed properties through parate execution or fiscal conveys (Foreclosed properties) in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

Renegotiated loans (Restructured or rescheduled)

Where possible, the Group seeks to renegotiate loans rather than take possession of collateral. This may involve extending the payment arrangements and agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. The management continously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. Further the Bank may consider modifications for original terms and conditions to retain customer, support customer or/and expansions.

Expected credit loss (ECL)

The Bank's impairment provisioning method has fundamentaly changed due to the adoption of SLFRS 9 by replacing LKAS 39 – "Financial Instruments Recognition and Measurement" incurred loss approach with forward looking expected loss approach as mentioned in Note 4.4.11 to this Financial Statements. Accordingly, the Bank has recorded an expected credit loss allowance for all loans and other debt financial assets except which are held at FVPL, together with loan commitments and financial guarantee contracts which are commonly referred to as "financial instruments".

The ECL allowance is based on the credit losses expected to arise over the life of the asset, the Lifetime Expected Credit Loss (LTECL) as outlined in Notes 4.4.11.2 and 4.4.11.3, if there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 4.4.11.1 to the Financial Statements. The Bank's policies for determining whether there has been a significant increase in credit risk are set out in this Note.

Both LTECLs and 12mECLs are calculated either on an individual basis or on collective basis, depending on the nature and size of the underlying portfolio of financial instruments. The Bank's policy for grouping financial instruments measured on a collective basis is explained in Note 4.4.11.5.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank grouped its loans into Stage 1, Stage 2 and Stage 3 as described in Note 4.4.11.1 to 4.4.11.3 to this Financial Statements.

For financial assets in respect of which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced.

The componenets of the ECL calculation is outlined under Note 4.4.11.4 to this Financial Statements and when estimating the ECLs, the Bank considers three economic scenarios (base case, best case and worst case). Each of these scenarios are associated with different loss rates.

For all products the Bank considers the maximum period over which the credit losses are determined is the contractual life of a financial instrument.

Impairment losses and reversals are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The methodology used for calculation of the ECL are summarised below:

Stage	Classification criteria	ECL measurement
Stage 1	Includes financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these financial assets, 12mECLs are recognised i.e. the expected credit losses which result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.	**12 months' expected credit loss** $ECL_{12} = \frac{EAD \times PD_{12m} \times LGD_T \times EFA_{12m}}{(1 + EIR)^n}$
Stage 2	Includes financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, LTECLs are recognised. LTECLs are the expected credit losses that result from all possible default events over the remaining maturity period of the loan from the reporting date. Expected credit losses are the weighted average credit losses with the probability of default ("PD") as the weight.	**Life time expected credit loss** $ECL_{LT} = \sum_t \frac{EAD_{LT} \times PD_{LT} \times LGD_T \times EFA_n}{(1 + EIR)} + \ldots + \frac{EAD_{LT} + PD_{(LT-t)} \times LGD_T \times EFA_n}{(1 + EIR)^n}$
Stage 3	Includes financial assets that have objective evidence of impairment at the reporting date which shows a significant credit risk. Lifetime ECLs are recognised based on the 100% probability.	**Life time expected credit loss with probability of default at 100%.** $ECL_{LT} = EAD_T \times 100\% \times LGD_T$

Loan commitments

When estimating ECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities, that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan and loan commitments.

Financial guarantee contracts

The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of profit or loss, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios.

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Revolving facilities

The Bank's product offering includes a variety of corporate and retail facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice (eg: Overdraft and Credit Card). The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's delinquency.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made on an individual basis for individually significant loans and on a collective basis for other loans. The collective assessments are made separately for portfolios of facilities with similar homogeneous characteristics.

Forward looking information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Interest rate
- Inflation
- Exchange rate
- Unemployment rates

To reflect the economic uncertainties in the calculation of expected credit losses, the Bank also revisited the weightages assigned for multiple economic scenarios during the year. Weightages assigned for each scenario is given below along with the weightages used in 2021.

	2022	2021
Base case	20%	30%
Best case	0%	20%
Worse case	80%	50%

Impairment assessment

Definition of default and upgrade

The Bank considers a financial instrument defaulted and therefore assessed in Stage 3 (as credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments or the credit facility/customer is classified as a non performing advance in accordance with CBSL directions.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Credit rating of a borrower has been subsequently downgraded to B+ or below under the Sri Lankan National Rating scale by External Credit Assessment Institution (EACI)
- A two-notch downgrade under the Bank's internal rating
- Reasonable and supportable forecasts of future economic conditions show a direct negative on the future performance of a customer/group of customers.
- A significant change in the geographical locations or natural catastrophes that directly impact the performance of a customer/group of customers.

- The value of collateral is significantly reduced and/or realisability of collateral is doubtful.
- Frequent changes in the Board of Directors and Senior Management of an institutional customer.
- Delay in commencement of business operations/projects by more than two years from the originally agreed date.
- Modification of terms resulting in concessions, including extensions, deferment of payments, waiver of covenants and other restructuring of credit facilities.
- A fall of 50% or more in the turnover and/or profit before tax of the borrower when compared to the previous year for two consecutive years and/or erosion of net-worth of the borrower by more than 25% (other than due to changes in equity structure and dividend policy) when compared to the previous financial year, and reduction will effect to the settlement of future contractual payments.
- The borrower is subject to litigation that significantly affects the performance of the credit facility
- Unable to contact or find the borrower
- Claims made under obligation of Letter of Guarantee
- The borrower is deceased/insolvent
- Any other criteria that, materially impacted for recoverability.

It is the Bank's policy to consider a financial instrument as "upgraded" and therefore re-classified out of Stage 3 when none of the default criteria is no longer present. The decision whether to classify an asset as Stage 2 or Stage 1 once upgraded depends on the updated credit grade, at the time of the upgrade, and whether there has been a significant increase in credit risk compared to initial recognition. Further restructured facilities are considered as "upgraded" once a satisfactory performing period of a minimum 90 days subsequent to the first capital and/or interest installment post-restructure is in place, while upgrading of rescheduled facilities,branch/business unit should obtain the approval from the Chief Risk Officer confirming the customer's ability of servicing debt obligation up to a forseeable future.

Probability of default estimation process

The Bank estimates the probability of default (PD) based on historical information with regard to delinquency of loans and advances. In this process historical information pertaining to 3-5 years have been used depending on the nature of the product.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan facilities, the Bank assesses the possible default events within 12 months in the calculation of the 12mECL. For Stage 2, Stage 3 and Purchase or Credit impaired (POCI) financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time. PDs are then assigned to the EAD so derived.

Loss given default

The Bank segments its lending portfolio into homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The loss given default is estimated based on historically collected loss data.

Significant increase in credit risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considers an exposure to have significantly increased in credit risk when the borrower becomes 30 days past due from the contractual due date.

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The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or reschedulement or restructure. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets, the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Grouping financial assets measured on an individual basis/collective basis

ECLs are calculated either on a collective or an individual basis, depends on the following factors.

The Bank calculates ECL on an individual basis for loans and advances above the threshold are identified as individually significant loans. All other exposures other than the above together with individually significant exposures not attracting an ISL provision are assessed for ECL on a collective basis. The Bank groups these exposures into smaller homogeneous portfolios, based on product types, sectors and customer segments.

28.1 Financial assets at amortised cost – loans and advances

As at 31 December	Note	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Gross loans and advances		2,584,778,967	2,576,668,173	2,617,905,189	2,612,567,332
Stage 1		1,986,928,070	2,170,496,529	2,002,738,770	2,186,408,859
Stage 2		273,220,831	155,013,917	277,121,666	159,836,766
Stage 3		324,630,066	251,157,727	338,044,753	266,321,707
Less: accumulated provision for impairment under:		259,184,638	162,905,882	261,926,856	166,237,003
Stage 1	28.2	39,710,949	24,417,936	39,904,019	24,541,662
Stage 2	28.2	25,419,553	15,122,165	25,564,731	15,247,177
Stage 3	28.2	194,054,136	123,365,781	196,458,106	126,448,164
Net loans and advances		2,325,594,329	2,413,762,291	2,355,978,333	2,446,330,329

28.1.1 Analysis of gross loans and advances – by product

As at 31 December	Note	Bank 2022 Local currency loans LKR '000	Bank 2022 Foreign currency loans LKR '000	Bank 2022 Total LKR '000	Bank 2021 Local currency loans LKR '000	Bank 2021 Foreign currency loans LKR '000	Bank 2021 Total LKR '000
Term loans		746,658,700	788,273,917	1,534,932,617	683,740,104	505,852,356	1,189,592,460
Housing loans		78,125,880	46,205	78,172,085	79,420,418	367,703	79,788,121
Trade finance		39,846,557	73,328,306	113,174,863	41,550,553	46,478,224	88,028,777
Personal loans		413,928,850	–	413,928,850	446,225,539	–	446,225,539
Overdrafts		146,415,234	67,382,222	213,797,456	552,351,927	35,597,630	587,949,557
Credit cards		7,483,788	–	7,483,788	6,151,267	–	6,151,267
Lease rental receivables	28.4	20,673,590	–	20,673,590	24,150,424	–	24,150,424
Pawning		116,879,501	–	116,879,501	82,975,731	–	82,975,731
Foreclosed properties		3,325,096	8,624	3,333,720	3,084,102	5,135	3,089,237
Staff loans		26,186,008	32,490	26,218,498	23,528,091	16,247	23,544,338
Other		47,861,160	8,322,839	56,183,999	40,217,888	4,954,834	45,172,722
Gross loans and advances		1,647,384,364	937,394,603	2,584,778,967	1,983,396,044	593,272,129	2,576,668,173

As at 31 December	Note	Group 2022 Local currency loans LKR '000	Foreign currency loans LKR '000	Total LKR '000	2021 Local currency loans LKR '000	Foreign currency loans LKR '000	Total LKR '000
Term loans		755,678,340	795,933,677	1,551,612,017	688,030,779	510,774,683	1,198,805,462
Housing loans		78,155,920	46,205	78,202,125	79,459,457	367,703	79,827,160
Trade finance		40,077,612	73,328,306	113,405,918	45,133,465	48,231,867	93,365,332
Personal loans		415,315,733	–	415,315,733	448,254,975	–	448,254,975
Overdrafts		146,223,589	67,622,802	213,846,391	552,155,012	35,912,095	588,067,107
Credit cards		7,483,788	–	7,483,788	6,151,267	–	6,151,267
Lease rental receivables	28.4	29,509,308	–	29,509,308	37,846,935	–	37,846,935
Pawning		122,545,263	–	122,545,263	88,230,314	–	88,230,314
Foreclosed properties		3,325,096	8,624	3,333,720	3,084,102	5,135	3,089,237
Staff loans		26,420,658	46,269	26,466,927	23,737,202	19,619	23,756,821
Other		47,861,160	8,322,839	56,183,999	40,217,888	4,954,834	45,172,722
Gross loans and advances		1,672,596,467	945,308,722	2,617,905,189	2,012,301,396	600,265,936	2,612,567,332

28.1.2 Analysis of gross loans and advances – by currency

As at 31 December	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Sri Lankan Rupees	1,647,384,364	1,983,396,044	1,672,596,467	2,012,301,396
United States Dollar	888,791,091	571,296,516	888,791,091	573,050,159
Great Britain Pound	1,110,713	657,919	9,024,833	5,898,083
Maldivian Rufiyaa	27,629,480	11,333,591	27,629,480	11,333,591
Euro	2,641,218	1,082,920	2,641,218	1,082,920
Indian Rupee	14,344,266	7,572,335	14,344,266	7,572,335
Seychellois Rupee	2,871,299	1,294,368	2,871,299	1,294,368
Other	6,536	34,480	6,535	34,480
Gross loans and advances	2,584,778,967	2,576,668,173	2,617,905,189	2,612,567,332

Notes to the Financial Statements

28.2 Movement in provision for Impairment during the year

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Movement in Stage 1 impairment				
Balance as at 1 January	24,417,936	11,640,862	24,541,662	11,846,679
Charge/(reversal) during the year	15,135,491	12,675,143	15,204,835	12,593,052
Amount recovered/reversal during the year	–	–	–	–
Exchange rate variance on foreign currency impairment	347,791	101,931	347,791	101,931
Amount written-off during the year	–	–	–	–
Other movements	(190,269)	–	(190,269)	–
Balance as at 31 December	39,710,949	24,417,936	39,904,019	24,541,662

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Movement in Stage 2 impairment				
Balance as at 1 January	15,122,165	11,447,964	15,247,177	11,678,868
Charge/(reversal) during the year	10,344,926	3,521,857	10,365,092	3,415,965
Amount recovered/reversal during the year	–	–	–	–
Exchange rate variance on foreign currency impairment	687,473	152,344	687,473	152,344
Amount written-off during the year	–	–	–	–
Other movements	(735,011)	–	(735,011)	–
Balance as at 31 December	25,419,553	15,122,165	25,564,731	15,247,177

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Movement in Stage 3 impairment				
Balance as at 1 January	123,365,781	103,706,911	126,448,164	106,828,208
Charge/(reversal) during the year	49,602,382	26,393,611	49,496,367	26,502,443
Amount recovered/reversal during the year	(4,322,117)	(7,163,198)	(4,322,117)	(7,163,198)
Exchange rate variance on foreign currency impairment	24,289,327	428,457	24,289,327	428,457
Amount written-off during the year	(18,554)	(76,971)	(18,554)	(76,971)
Other movements	1,137,317	76,971	564,919	(70,775)
Balance as at 31 December	194,054,136	123,365,781	196,458,106	126,448,164

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Movement in total impairment				
Balance as at 1 January	162,905,882	126,795,737	166,237,003	130,353,755
Charge/(reversal) during the year	75,082,799	42,590,611	75,066,294	42,511,460
Amount recovered/reversal during the year	(4,322,117)	(7,163,198)	(4,322,117)	(7,163,198)
Exchange rate variance on foreign currency impairment	25,324,591	682,732	25,324,591	682,732
Amount written-off during the year	(18,554)	(76,971)	(18,554)	(76,971)
Other movements	212,037	76,971	(360,361)	(70,775)
Balance as at 31 December	259,184,638	162,905,882	261,926,856	166,237,003

28.3 Sensitivity factors used to calculate impairment provision

		Sensitivity effect on impairment provisions	
	Sensitivity	2022 LKR '000	2021 LKR '000
Change in Loss Given Default (LGD)	1%	5,600,134	5,233,770
	-1%	(5,600,134)	(5,233,770)
Change in Economic Factor Adjustment (EFA)	Worst case degrades by 5%	402,585	379,797
	Worst case upgrades by 5%	(402,585)	(379,160)
Change in deemed closed period	Advanced by one year	2,826,569	2,702,782
	Deferred by one year	(2,826,569)	(1,809,974)

Notes to the Financial Statements

28.4 Lease rentals receivables

Accounting policy

Assets leased to customers, which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases. Amounts receivable under finance leases are classified as lease and hire purchase receivables and presented within loans and receivables to customers in the Statement of Financial Position, after deduction of unearned lease income and the impairment for rentals doubtful of recovery.

	Bank		Group	
As at 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Gross lease rentals receivable				
Within one year	12,339,150	11,920,246	15,170,120	18,608,059
One to five years	14,505,542	17,919,803	18,531,230	22,730,883
More than five years	53,441	102,794	333,620	409,228
	26,898,133	29,942,843	34,034,970	41,748,170
Less: Unearned finance income	6,224,543	5,792,419	4,525,662	3,901,235
Gross lease rentals receivables	20,673,590	24,150,424	29,509,308	37,846,935
Less: Provision for impairment losses	777,902	736,549	1,901,977	2,486,316
Net lease rentals receivables	19,895,688	23,413,875	27,607,331	35,360,619

29 Financial assets at amortised cost – debt and other instruments

Accounting policy

Financial assets measured at amortised cost - debt instruments are initially measured at fair value and details are given in Note 4.4.8 to the financial statements. After initial measurement, subsequently measured at amortised cost using the Effective Interest Rate (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in "Interest income" (Note 8.1) in the Statement of Profit or Loss. The losses arising from impairment of such investments are recognised in the Statement of Profit or Loss under "Impairment charge/(reversal) for loans and other losses" (Note 14).

As at 31 December	Note	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Government securities					
Treasury bills		30,163,644	–	34,264,372	123,011
Treasury bonds		1,236,801,214	847,653,307	1,238,665,103	847,653,307
Sri Lanka Soverign Bonds	29.4	92,256,000	49,107,401	92,609,945	49,623,412
Sri Lanka Development Bonds	29.5	193,631,101	162,626,977	193,631,101	162,626,977
Governement of Sri Lanka Restructuring Bonds	29.6	8,968,474	8,968,474	8,968,474	8,968,474
Debentures	29.7	3,427,632	4,132,444	3,427,632	4,132,444
Government securities – In Maldives		44,463,297	23,490,354	44,463,297	23,490,354
Other investments		–	–	375,597	77,173
Gross financial assets at amortised cost – debt and other instruments		1,609,711,362	1,095,978,957	1,616,405,521	1,096,695,152
Less: Accumulated impairment	29.3	53,814,055	13,799,081	54,031,842	13,857,490
Net financial assets at amortised cost – debt and other instruments		1,555,897,307	1,082,179,876	1,562,373,679	1,082,837,662

29.1 Analysis of financial assets at amortised cost – debt and other instruments by currency

As at 31 December	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Sri Lankan Rupee	1,279,360,964	860,754,225	1,285,701,178	860,954,409
United States Dollar	285,887,101	211,734,378	286,241,046	212,250,389
Maldivian Rufiyaa	44,463,297	23,490,354	44,463,297	23,490,354
Total	1,609,711,362	1,095,978,957	1,616,405,521	1,096,695,152

Notes to the Financial Statements

29.2 Analysis of financial assets at amortised cost – debt and other instruments based on exposure to credit risk

Bank

As at 31 December	2022				2021
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Total LKR '000
Sri Lanka Soverign Bonds	–	92,256,000	–	92,256,000	49,107,401
Sri Lanka Development Bonds	–	193,631,101	–	193,631,101	162,626,977
Debentures	3,399,318	–	28,314	3,427,632	4,132,444
Government securities – In Maldives	44,463,297	–	–	44,463,297	23,490,354
	47,862,615	285,887,101	28,314	333,778,030	239,357,176
Less: Accumulated impairment	323,914	53,461,827	28,314	53,814,055	13,799,081
Total	47,538,701	232,425,274	–	279,963,975	225,558,095

Group

As at 31 December	2022				2021
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Total LKR '000
Sri Lanka Soverign Bonds	–	92,609,945	–	92,609,945	49,623,412
Sri Lanka Development Bonds	–	193,631,101	–	193,631,101	162,626,977
Debentures	3,399,318	–	28,314	3,427,632	4,132,444
Government securities – In Maldives	44,463,297	–	–	44,463,297	23,490,354
Other investments	375,597	–	–	375,597	77,173
	48,238,212	286,241,046	28,314	334,507,572	239,950,360
Less: Accumulated impairment	541,701	53,461,827	28,314	54,031,842	13,857,490
Total	47,696,511	232,779,219	–	280,475,730	226,092,870

29.3 Movement in provision for impairment during the year

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Movement in Stage 1 impairment				
Balance as at 1 January	13,770,767	5,465,523	13,829,176	5,512,264
Charge/(reversal) during the year	(13,446,853)	8,305,244	(13,287,475)	8,316,912
Exchange adjustment	–	–	–	–
Balance as at 31 December	323,914	13,770,767	541,701	13,829,176

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Movement in Stage 2 impairment				
Balance as at 1 January	–	–	–	–
Charge/(reversal) during the year	29,510,499	–	29,510,499	–
Exchange adjustment	23,951,328	–	23,951,328	–
Balance as at 31 December	53,461,827	–	53,461,827	–

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Movement in Stage 3 impairment				
Balance as at 1 January	28,314	28,314	28,314	28,314
Charge/(reversal) during the year	–	–	–	–
Exchange adjustment	–	–	–	–
Balance as at 31 December	28,314	28,314	28,314	28,314

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Movement in total impairment				
Balance as at 1 January	13,799,081	5,493,837	13,857,490	5,540,578
Charge/(reversal) during the year	16,063,646	8,305,244	16,223,024	8,316,912
Exchange adjustment	23,951,328	–	23,951,328	–
Balance as at 31 December	53,814,055	13,799,081	54,031,842	13,857,490

Notes to the Financial Statements

29.4 Sri Lanka Sovereign Bonds (US Dollar bonds)

As at 31 December		Bank			
		2022		2021	
	Date of maturity	Amount Invested USD '000	Cost of investment LKR '000	Amount Invested USD '000	Cost of investment LKR '000
Fixed Rate					
Sri Lanka Sovereign Bonds – Fixed Rate 5.75%	18.01.2022	–	–	6,235	1,249,750
Sri Lanka Sovereign Bonds – Fixed Rate 5.875%	N/A*	26,856	9,751,854	26,856	5,382,945
Sri Lanka Sovereign Bonds – Fixed Rate 5.75%	18.04.2023	20,519	7,450,631	20,519	4,112,688
Sri Lanka Sovereign Bonds – Fixed Rate 6.85%	14.03.2024	11,656	4,232,374	11,656	2,336,236
Sri Lanka Sovereign Bonds – Fixed Rate 6.35%	28.06.2024	2,014	731,412	2,014	403,734
Sri Lanka Sovereign Bonds – Fixed Rate 6.85%	03.11.2025	49,101	17,829,182	49,101	9,841,565
Sri Lanka Sovereign Bonds – Fixed Rate 6.825%	18.07.2026	22,600	8,206,193	22,600	4,529,753
Sri Lanka Sovereign Bonds – Fixed Rate 6.20%	11.05.2027	23,565	8,556,675	23,565	4,723,216
Sri Lanka Sovereign Bonds – Fixed Rate 6.75%	18.04.2028	33,077	12,010,705	33,077	6,629,813
Sri Lanka Sovereign Bonds – Fixed Rate 7.85%	14.03.2029	32,352	11,747,322	32,352	6,484,427
Sri Lanka Sovereign Bonds – Fixed Rate 7.55%	28.03.2030	4,168	1,513,584	4,168	835,486
Total Sri Lanka Sovereign Bonds		225,908	82,029,932	232,143	46,529,613
Amortisation adjustments on interest		28,162	10,226,068	12,861	2,577,788
Total Sri Lanka Sovereign Bonds		254,070	92,256,000	245,004	49,107,401

* Original maturity was on 25 July 2022, but yet to be settled.

Note: Investment value substantially increased due to LKR depreciation against USD (2022 USD/LKR 363.1100 and 2021 USD/LKR 200.4338)

Group			
2022		2021	
Amount Invested USD '000	Cost of investment LKR '000	Amount Invested USD '000	Cost of investment LKR '000
–	–	6,235	1,249,750
26,856	9,751,854	26,856	5,382,945
21,494	7,804,578	23,093	4,628,699
11,656	4,232,374	11,656	2,336,236
2,014	731,412	2,014	403,734
49,101	17,829,182	49,101	9,841,565
22,600	8,206,193	22,600	4,529,753
23,565	8,556,675	23,565	4,723,216
33,077	12,010,705	33,077	6,629,813
32,352	11,747,322	32,352	6,484,427
4,168	1,513,584	4,168	835,486
226,883	82,383,879	234,717	47,045,624
28,162	10,226,066	12,861	2,577,788
255,045	92,609,945	247,578	49,623,412

Notes to the Financial Statements

29.5 Sri Lanka Development Bonds (US Dollar bonds)

As at 31 December	Date of maturity	Bank/Group 2022 Amount Invested USD '000	2022 Cost of investment LKR '000	2022 Amortised cost LKR '000	2021 Amount Invested USD '000	2021 Cost of investment LKR '000	2021 Amortised cost LKR '000
Fixed Rate							
Sri Lanka Development Bonds – Fixed Rate 6.69%	22.01.2022	–	–	–	15,000	3,006,507	3,097,401
Sri Lanka Development Bonds – Fixed Rate 7.40%	17.02.2022	–	–	–	190,000	38,082,422	39,149,765
Sri Lanka Development Bonds – Fixed Rate 5.70%	01.05.2022	–	–	–	5,000	1,002,169	1,011,758
Sri Lanka Development Bonds – Fixed Rate 5.75%	01.05.2022	–	–	–	5,000	1,002,169	1,011,841
Sri Lanka Development Bonds – Fixed Rate 5.80%	01.05.2022	–	–	–	5,000	1,002,169	1,011,924
Sri Lanka Development Bonds – Fixed Rate 5.85%	01.05.2022	–	–	–	5,000	1,002,169	1,012,008
Sri Lanka Development Bonds – Fixed Rate 5.90%	01.05.2022	–	–	–	5,000	1,002,169	1,012,091
Sri Lanka Development Bonds – Fixed Rate 7.60%	01.08.2022	–	–	–	150,000	30,065,070	31,033,041
Sri Lanka Development Bonds – Fixed Rate 5.75%	01.05.2023	5,000	1,815,550	1,832,881	5,000	1,002,169	1,011,841
Sri Lanka Development Bonds – Fixed Rate 7.75%	01.05.2023	150,000	54,466,500	55,165,043	150,000	30,065,070	30,454,891
Sri Lanka Development Bonds – Fixed Rate 7.95%	01.05.2024	200,000	72,622,000	73,577,120	200,000	40,086,760	40,619,761
Floating Rate							
6 months LIBOR plus 350 basis points	22.01.2022	–	–	–	5,000	1,002,169	1,018,722
6 months LIBOR plus 355 basis points	22.01.2022	–	–	–	5,000	1,002,169	1,018,948
6 months LIBOR plus 365 basis points	22.01.2022	–	–	–	5,000	1,002,169	1,019,401
6 months LIBOR plus 375 basis points	22.01.2022	–	–	–	5,000	1,002,169	1,019,854
6 months LIBOR plus 380 basis points	16.03.2022	–	–	–	5,000	1,002,169	1,013,881
6 months LIBOR plus 385 basis points	16.03.2022	–	–	–	5,000	1,002,169	1,014,029
6 months LIBOR plus 385 basis points	17.03.2022	–	–	–	10,000	2,004,338	2,027,838
6 months LIBOR plus 370 basis points	22.01.2023	5,000	1,815,550	1,873,026	5,000	1,002,169	1,019,627
6 months LIBOR plus 375 basis points	22.01.2023	5,000	1,815,550	1,872,621	5,000	1,002,169	1,019,854
6 months LIBOR plus 390 basis points	16.03.2023	5,000	1,815,550	1,857,695	5,000	1,002,169	1,014,177
6 months LIBOR plus 395 basis points	16.03.2023	5,000	1,815,550	1,857,432	5,000	1,002,169	1,014,324
Total Sri Lanka Development Bonds		375,000	136,166,250	138,035,818	795,000	159,344,871	162,626,977
Already matured but not settled as at 31/12/2022		130,000	47,204,300	55,595,283	–	–	–
Total Sri Lanka Development Bonds		505,000	183,370,550	193,631,101	795,000	159,344,871	162,626,977

Note: Investment value increased due to LKR depreciation against USD (2022 USD/LKR 363.11 and 2021 USD/LKR 200.4338).

29.6 Government of Sri Lanka Restructuring Bonds

As at 31 December				Bank/Group			
				2022		2021	
	Rate %	Date of issue	Date of maturity	Cost of investment LKR '000	Amortised Cost LKR '000	Cost of investment LKR '000	Amortised Cost LKR '000
For recapitalisation purposes	12.00	24.03.1993	01.02.2023	4,780,000	5,015,714	4,780,000	5,015,714
For settlement of loans	12.00	24.03.1993	01.02.2023	3,767,000	3,952,760	3,767,000	3,952,760
Total Government of Sri Lanka Restructuring Bonds				8,547,000	8,968,474	8,547,000	8,968,474

29.7 Debentures

As at 31 December				Bank/Group				
				2022		2021		
	Date of maturity	Coupon rate %	Number of debentures	Cost of investment LKR '000	Amortised cost LKR '000	Number of debentures	Cost of investment LKR '000	Amortised cost LKR '000
Browns Investments PLC	31.03.2027	15.42	500,000	50,000	51,946	–	–	–
Ceylon Electricity Board	15.04.2026	9.35	4,601,000	460,100	490,793	4,601,000	460,100	490,894
Citizen Development Business Finance PLC	27.03.2023	14.20	2,000,000	200,000	221,212	2,000,000	200,000	221,498
Commercial Credit and Finance PLC	04.03.2026	9.00	1,000,000	100,000	107,389	1,000,000	100,000	107,365
DFCC Bank PLC	29.03.2025	13.00	2,250,000	225,000	246,797	2,250,000	225,000	246,777
Hatton National Bank PLC	01.11.2023	13.00	193,300	19,330	19,722	193,300	19,330	19,722
Hayleys PLC	31.07.2023	12.50	2,500,000	250,000	263,128	2,500,000	250,000	263,120
Hayleys PLC	26.08.2024	7.82	1,000,000	100,000	103,625	1,000,000	100,000	102,727
Hayleys PLC	26.08.2024	13.00	1,811,500	181,150	190,575	1,811,500	181,150	189,281
Kotagala Plantations PLC	31.08.2025	7.50	N/A	9,129	9,050	N/A	12,448	12,537
Kotagala Plantations PLC	31.08.2025	7.50	N/A	9,959	10,252	N/A	13,278	13,688
Lanka Orix Leasing Company PLC	30.07.2022	13.00	–	–	–	2,500,000	250,000	263,613
Lanka Orix Leasing Company PLC	27.09.2024	15.00	1,250,000	125,000	130,657	1,250,000	125,000	131,064
Lanka Orix Leasing Company PLC	24.02.2026	10.25	1,300,000	130,000	139,972	1,300,000	130,000	141,476
LB Finance PLC	11.12.2022	12.75	–	–	–	2,500,000	250,000	267,790
MTD Walkers PLC *	N/A	11.75	254,784	25,478	28,314	254,784	25,478	28,314
People's Leasing and Finance PLC	18.04.2023	12.80	2,500,000	250,000	272,125	2,500,000	250,000	272,121
People's Leasing and Finance PLC	05.08.2026	9.00	999,915	99,992	112,615	999,915	99,992	103,547
Sampath Bank PLC	21.12.2022	12.50	–	–	–	2,270,000	227,000	227,564
Sampath Bank PLC	20.03.2023	12.50	2,500,000	250,000	258,703	2,500,000	250,000	258,704
Seylan Bank PLC	29.03.2023	12.85	2,500,000	250,000	258,244	2,500,000	250,000	258,128
Sri Lanka Telecom PLC	19.04.2028	12.75	5,000,000	500,000	512,513	5,000,000	500,000	512,514
Total debentures				3,235,138	3,427,632		3,918,776	4,132,444

* Original maturity was on 30 September 2019, but Company failed to settle.

Notes to the Financial Statements

30 Financial assets measured at fair value through OCI

Financial assets measured at fair value through OCI include equity instruments which are elected fair value through OCI option at the initial recognition and debt instruments which contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

All Financial assets measured at fair value through OCI are initially and subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity in the "OCI reserve" through Other Comprehensive Income. When the debt instrument under FVTOCI is disposed off, the cumulative gain or loss previously recognised in OCI reserve is recognised in the Statement of Profit or Loss and reflected in "Net gains/(losses) from derecognition of financial assets" (Note12). When the equity instrument under FVTOCI is disposed off, the cumulative gain or loss previously recognised in OCI reserve is not recognised in the Statement of Profit or Loss and transfer directly to the retained profit. Interest earned whilst holding financial assets measured at fair value through OCI is reported as "Interest income" (Note 8.1). Dividends earned whilst holding financial assets measured at fair value through OCI are recognised in the Statement of Profit or Loss under in "Net other operating income" (Note 13) when the right of the payment has been established.

		Bank		Group	
As at 31 December	Note	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Government Securities in Sri Lanka					
Treasury bills		–	–	–	2,988,742
Treasury bonds		326,563	11,540,898	326,563	11,911,292
Government Securities in India		3,034,704	1,780,868	3,034,704	1,780,868
Quoted equities	30.2	1,543,243	2,749,598	3,606,623	3,940,622
Unquoted equities	30.3	3,786,292	2,231,192	3,782,154	2,258,286
Total finanacial assets measured at FVTOCI		8,690,802	18,302,556	10,750,044	22,879,810

30.1 By currency

	Bank		Group	
As at 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Sri Lankan Rupee	2,104,819	14,525,509	4,164,061	19,102,763
United States Dollar	3,487,263	1,996,179	3,487,263	1,996,179
Euro	64,016	–	64,016	–
Indian Rupee	3,034,704	1,780,868	3,034,704	1,780,868
Total	8,690,802	18,302,556	10,750,044	22,879,810

30.2 Quoted equities

As at 31 December	2022			2021		
	Number of ordinary shares	Cost of investment LKR '000	Market value LKR '000	Number of ordinary shares	Cost of investment LKR '000	Market value LKR '000
Bank						
National Development Bank PLC	30,210,035	1,859,497	966,721	28,384,288	1,731,768	1,955,677
People's Leasing & Finance PLC	14,803,129	240,815	74,016	13,070,891	227,439	139,859
Seylan Bank PLC	15,902,140	627,887	502,506	14,865,044	583,292	654,062
Total quoted equities		2,728,199	1,543,243		2,542,499	2,749,598
Group						
Asiri Hospitals Holdings PLC	30	30	1	30	30	1
Ceylinco Insurance PLC	26	26	58	26	26	59
Hatton National Bank PLC	18	18	2	18	18	2
LVL Energy Fund PLC	2,500,000	20,000	20,000	2,500,000	20,000	20,000
National Development Bank PLC	30,210,035	1,859,497	966,721	28,384,288	1,731,768	1,955,677
People's Leasing and Finance PLC	14,803,129	240,815	74,016	13,070,891	227,439	139,859
Seylan Bank PLC	15,902,140	627,887	502,506	14,865,044	583,292	654,062
Lanka Hospital Corporation PLC	21,329,000	213,290	2,043,319	21,329,000	213,290	1,170,962
Total quoted equities		2,961,563	3,606,623		2,775,863	3,940,622

Notes to the Financial Statements

30.3 Unquoted equities

As at 31 December		2022			2021		
	Note	Number of ordinary shares	Cost of investment LKR '000	Market value LKR '000	Number of ordinary shares	Cost of investment LKR '000	Market value LKR '000
Bank							
Credit Information Bureau of Sri Lanka		46,600	43,645	43,645	46,600	43,645	43,645
Fitch Ratings Lanka Limited		62,500	625	625	62,500	625	625
LankaClear (Private) Limited		2,113,861	23,443	23,443	2,113,861	23,443	23,443
Lanka Financial Services Bureau Limited		500,000	5,000	5,000	500,000	5,000	5,000
MasterCard Incorporated		17,200	–	2,171,745	17,200	–	1,238,742
Regional Development Bank		16,448,448	162,300	162,300	16,448,448	162,300	162,300
Visa Inc.		17,438	–	1,315,518	17,438	–	757,437
SWIFT		29	64,016	64,016	–	–	–
			299,029	3,786,292		235,013	2,231,192
Fair value adjustment			3,487,263			1,996,179	
Less: Provision for impairment	30.4		–			–	
Total unquoted equities			3,786,292	3,786,292		2,231,192	2,231,192
Group							
Ceylinco Investment Company Limited		500,000	5,000	–	500,000	5,000	–
Credit Information Bureau of Sri Lanka		47,140	43,699	43,699	47,140	43,699	43,699
Fitch Ratings Lanka Limited		62,500	625	625	62,500	625	625
LankaClear (Private) Limited		2,113,861	23,443	23,443	2,113,861	23,443	23,443
Lanka Financial Services Bureau Limited		500,000	5,000	5,000	500,000	5,000	5,000
MasterCard Incorporated		17,200	–	2,171,745	17,200	–	1,238,742
Mega Containers Limited		1,000,000	10,000	–	1,000,000	10,000	21,786
Regional Development Bank		16,448,448	162,300	162,300	16,448,448	162,300	162,300
Ranwan Industries (Private) Limited		165,790	3,600	–	165,790	3,600	–
San Michele Limited		–	–	–	50,000	500	–
UB Finance Company Limited		2,506,562	17,546	808	2,506,562	17,546	5,254
Visa Inc.		17,438	–	1,315,518	17,438	–	757,437
SWIFT		29	64,016	64,016	–	–	–
			335,229	3,787,154		271,713	2,258,286
Fair value adjustment			3,472,817			2,007,965	
Less: Provision for impairment	30.4		20,892			21,392	
Total unquoted equities			3,787,154	3,787,154		2,258,286	2,258,286

30.4 Movement in provision for impairment during the year

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Movement in Stage 1 impairment				
Balance as at 1 January	–	–	21,392	25,808
Charge/(Reversal) during the year	–	–	–	(4,416)
Write-off during the year	–	–	(500)	–
Balance as at 31 December	–	–	20,892	21,392

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Movement in total impairment				
Balance as at 1 January	–	–	21,392	25,808
Charge/(reversal) during the year	–	–	–	(4,416)
Write-off during the year	–	–	(500)	–
Balance as at 31 December	–	–	20,892	21,392

31 Investment in subsidiary companies

Accounting policy

Subsidiaries are entities that are controlled by the Bank. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect the returns of those investees through its power over the investee. Specifically, the Bank controls an investee if, and only if, the Bank has:

- power over the investee
- exposure or rights to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect its returns

The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The Bank reassesses whether it has control if there are changes to one or more of the elements of control. A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest (NCI) and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

The Consolidated Financial Statements are prepared for the common financial year end of 31 December and have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

All intra group balances, income and expenses (except for foreign currency translation gains or losses) arising from intra group transactions are eliminated on consolidation. Unrealised gains and losses resulting from transactions between the Group and its associates are also eliminated on consolidation to the extent of the Group's interests in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the Financial Statements

There are no significant restrictions on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans and advances. All subsidiaries of the Bank have been incorporated in Sri Lanka except for Bank of Ceylon (UK) Limited, which is incorporated in the United Kingdom. A list of the Bank's subsidiaries is given in Note 31.5 to the Financial Statements.

As at 31 December	Notes	2022 LKR '000	2021 LKR '000
Investment in quoted subsidiaries	31.3	3,922,772	4,783,042
Investment in unquoted subsidiaries	31.4	4,658,366	3,798,096
Total investment in subsidiaries		8,581,138	8,581,138
Less: Provision for impairment of investment in subsidiaries	31.2	400,000	400,000
Carrying value of investment in subsidiary companies		8,181,138	8,181,138

31.1 Movement in investment in subsidiary companies

As at 31 December	2022 LKR '000	2021 LKR '000
Balance as at 1 January	8,581,138	6,913,048
Increase/(decrease) in investments	–	1,668,090
Balance as at 31 December	8,581,138	8,581,138

31.2 Provision for impairment of investment in subsidiaries*

As at 31 December	2022 LKR '000	2021 LKR '000
Balance as at 1 January	400,000	400,000
Impairment charge/(reversal) during the year	–	–
Balance as at 31 December	400,000	400,000

* The Bank has made the provision of impairment for investment of Bank of Ceylon (UK) Limited.

31.3 Investment in quoted subsidiaries

	Bank			
As at 31 December	2022		2021	
	Cost LKR '000	Market value LKR '000	Cost LKR '000	Market value LKR '000
Property Development PLC * (63,064,957 Ordinary shares)	–	–	860,270	8,419,172
Merchant Bank of Sri Lanka and Finance PLC (401,577,368 Ordinary shares)	3,922,772	1,365,363	3,922,772	2,369,306
Total investment in quoted subsidiaries	3,922,772	1,365,363	4,783,042	10,788,478

* Property Development PLC was delisted from Colombo Stock Exchange with effective from 27 October 2022 and presented as investment in unquoted subsidiaries.

31.4 Investment in unquoted subsidiaries

As at 31 December	Bank			
	2022		2021	
	Cost LKR '000	Directors' valuation LKR '000	Cost LKR '000	Directors' valuation LKR '000
BoC Management and Support Services (Private) Limited (99,996 Ordinary shares)	1,000	1,000	1,000	1,000
BoC Property Development and Management (Private) Limited (100,999,998 Ordinary shares)	1,010,000	1,010,000	1,010,000	1,010,000
BoC Travels (Private) Limited (250,004 Ordinary shares)	2,500	2,500	2,500	2,500
Bank of Ceylon (UK) Limited (15,000,000 Ordinary shares)	2,683,859	2,283,859	2,683,859	2,283,859
Hotels Colombo (1963) Limited (10,073,667 Ordinary shares)	100,737	100,737	100,737	100,737
Property Development Limited (63,064,957 Ordinary shares) *	860,270	860,270	–	–
Total investment in unquoted subsidiaries	4,658,366	4,258,366	3,798,096	3,398,096

* Property Development PLC was delisted from Colombo Stock Exchange with effective from 27 October 2022 and therefore presented as investment in unquoted subsidiaries.

31.5 Information relating to subsidiaries of the Bank

As at 31 December	Ownership interest held by the Bank	
	2022 %	2021 %
Quoted subsidiaries		
Property Development PLC (PDL)	–	95.55
Merchant Bank of Sri Lanka and Finance PLC (MBSL)	84.50	84.50
Unquoted subsidiaries		
BoC Management and Support Services (Private) Limited (MSS)	100.00	100.00
BoC Property Development and Management (Private) Limited (PDML)	100.00	100.00
BoC Travels (Private) Limited (TRAVELS)	100.00	100.00
Hotels Colombo (1963) Limited (HCL)	99.99	99.99
Ceybank Holiday Homes (Private) Limited (HH)	100.00	100.00
MBSL Insurance Company Limited (MBSL INS)	45.47	45.47
Bank of Ceylon (UK) Limited (BoC UK)	100.00	100.00
Property Development Limited (PDL)	97.89	–

Ceybank Holiday Homes (Private) Limited and MBSL Insurance Company Limited are indirect subsidiaries of the Bank.

As a part of delisting process, Property Development PLC (PDL) offered share buy back option for it's minority shareholders and accordingly shares were repurchased by PDL. In line with that Bank of Ceylon holding increased to 97.89% due to reduction of number of issued shares of PDL from 66,000,000 to 64,426,728 as at 31 December 2022.

BoC Management and Support Services (Private) Limited (MSS) is not in operation.

Notes to the Financial Statements

31.6 Non-controlling interest (NCI) of subsidiaries

	2022			
	PDL	MBSL	MBSL INS	HCL
Equity interest held by the NCI (%)	2.11	23.44	46.19	0.01
Profit/(loss) allocated during the year (LKR '000)	16,739	(92,418)	13,093	(8)
Accumulated balance of NCI as at 31 December (LKR '000)	121,654	835,058	436,750	(20)
Dividends paid to NCI (LKR '000)	–	–	–	–

	2021			
	PDL	MBSL	MBSL INS	HCL
Equity interest held by the NCI (%)	4.45	15.5	54.53	0.01
Profit/(loss) allocated during the year (LKR '000)	28,924	127,659	(20,076)	(12)
Accumulated balance of NCI as at 31 December (LKR '000)	394,037	722,295	473,127	(13)
Dividends paid to NCI (LKR '000)	10,280	–	–	–

31.7 Summarised financial information of subsidiaries

For the year ended 31 December	2022				
	PDL LKR '000	MBSL LKR '000	MSS LKR '000	PDML LKR '000	TRAVELS LKR '000
Statement of Profit or Loss for the year					
Total income	1,551,547	6,542,591	–	546,701	108,870
Profit/(loss) before tax	1,104,620	(658,149)	–	403,931	52,365
Profit/(loss) after tax	793,328	(596,244)	–	278,910	52,365
Other comprehensive income	872,970	(10,179)	–	(101,895)	–
Total comprehensive income	1,666,298	(606,423)	–	177,015	52,365
Statement of Financial Position as at 31 December					
Total assets	6,638,715	31,253,210	1,470	2,169,300	353,795
Total liabilities	873,145	27,690,678	470	154,837	137,293
Net assets	5,765,570	3,562,532	1,000	2,014,463	216,502
Dividends paid	–	–	–	93,930	–
Statement of Cash Flows for the year					
Operating cash flows	362,702	5,102,515	–	148,742	32,094
Investing cash flows	(1,508,845)	(2,174,036)	–	1,387	12,285
Financing cash flows	(288,025)	(2,747,972)	–	(114,456)	(23,402)
Net increase/(decrease) in cash and cash equivalents	(1,434,168)	180,507	–	35,673	20,977

For the year ended 31 December	2021				
	PDL LKR '000	MBSL LKR '000	MSS LKR '000	PDML LKR '000	TRAVELS LKR '000
Statement of Profit or Loss for the year					
Total income	1,161,681	5,971,065	–	396,432	474,984
Profit/(loss) before tax	787,678	923,446	–	254,599	(27,517)
Profit/(loss) after tax	649,978	823,605	–	187,689	(27,517)
Other comprehensive income	35,890	58,574	–	(4,001)	–
Total comprehensive income	685,868	882,179	–	183,688	(27,517)
Statement of Financial Position as at 31 December					
Total assets	5,339,763	34,400,248	1,470	2,112,365	309,494
Total liabilities	730,432	29,898,228	470	103,427	138,109
Net assets	4,609,331	4,502,020	1,000	2,008,938	171,385
Dividends paid	231,000	–	–	114,130	–
Statement of Cash Flows for the year					
Operating cash flows	578,956	(3,835,271)	–	144,728	(35,234)
Investing cash flows	1,144,477	1,878,702	–	(35,423)	(2,123)
Financing cash flows	(228,982)	1,445,713	–	(101,000)	(3,424)
Net increase/(decrease) in cash and cash equivalents	1,494,451	(510,856)	–	8,305	(40,781)

For the year ended 31 December	2022			
	HCL LKR '000	HH LKR '000	MBSL INS LKR '000	BoC UK LKR '000
Statement of Profit or Loss for the year				
Total income	106,659	135,284	810,894	1,362,433
Profit/(Loss) before tax	(76,832)	194	24,010	(54,096)
Profit/(Loss) after tax	(76,832)	194	24,010	(54,096)
Other comprehensive income	–	–	2,281	2,279,165
Total comprehensive income	(76,832)	194	26,291	2,225,069
Statement of Financial Position as at 31 December				
Total assets	543,961	47,751	2,565,042	48,810,630
Total liabilities	748,676	112,642	1,619,490	42,794,981
Net assets	(204,715)	(64,891)	945,552	6,015,649
Dividends paid	–	–	–	–
Statement of Cash Flows for the year				
Operating cash flows	(17,234)	(1,094)	165,912	122,457
Investing cash flows	(6,962)	685	1,359	(875)
Financing cash flows	(1,300)	(3,859)	(116,495)	–
Net increase/(decrease) in cash and cash equivalents	(25,496)	(4,268)	50,776	121,582

Notes to the Financial Statements

For the year ended 31 December	2021			
	HCL LKR '000	HH LKR '000	MBSL INS LKR '000	BoC UK LKR '000
Statement of Profit or Loss for the year				
Total income	29,265	56,599	646,883	639,637
Profit/(loss) before tax	(116,665)	(25,601)	(53,766)	18,756
Profit/(loss) after tax	(116,665)	(25,601)	(53,766)	18,756
Other comprehensive income	–	–	(8,922)	331,649
Total comprehensive income	(116,665)	(25,601)	(62,688)	350,405
Statement of Financial Position as at 31 December				
Total assets	215,876	42,145	2,605,090	13,239,850
Total liabilities	350,006	106,161	1,636,845	9,449,270
Net assets	(134,130)	(64,016)	968,245	3,790,580
Dividends paid	–	–	–	–
Statement of Cash Flows for the year				
Operating cash flows	(17,234)	2,223	28,320	29,910
Investing cash flows	(6,962)	(591)	12,907	(4,869)
Financing cash flows	(1,300)	–	–	–
Net increase/(decrease) in cash and cash equivalents	(25,496)	1,632	41,227	25,041

32 Investment in associate companies

Associates are those entities in which the Bank has significant influence, but not control, over the financial and operating policies. Investments in associate entities are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs.

The Consolidated Financial Statements include the Bank's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Bank's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long term investments, is reported at nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. If the associate subsequently reports profits, the Bank resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

A list of the Bank's associates is shown in Note 32.4 to the Financial Statements.

The Bank discontinues the use of the Equity Method from the date that it ceases to have significant influence over an associate and accounts for such investments in accordance with the Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments".

Upon loss of significant influence over the associate, the Bank measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

32.1 Unquoted associates

As at 31 December	Note	Bank 2022 Cost LKR '000	Bank 2022 Directors' valuation LKR '000	Bank 2021 Cost LKR '000	Bank 2021 Directors' valuation LKR '000	Group 2022 Cost LKR '000	Group 2022 Directors' valuation LKR '000	Group 2021 Cost LKR '000	Group 2021 Directors' valuation LKR '000
Ceybank Asset Management Limited (1,240,002 ordinary shares)		31,048	31,048	31,048	31,048	312,274	312,274	315,522	315,522
Lanka Securities (Private) Limited (3,594,857 ordinary shares)		41,940	41,940	41,940	41,940	209,603	209,603	143,563	143,563
Southern Development Financial Company Limited (2,500,001 ordinary shares)		25,000	–	25,000	–	–	–	–	–
Transnational Lanka Records Solutions (Private) Limited (2,000,000 ordinary shares)		20,000	20,000	20,000	20,000	162,659	162,659	136,446	136,446
Total investment in unquoted associates		117,988	92,988	117,988	92,988	684,536	684,536	595,531	595,531
Less: Provision for impairment of investments in associates	32.3	25,000	–	25,000	–	–	–	–	–
Net investment in unquoted associates		92,988	92,988	92,988	92,988	684,536	684,536	595,531	595,531

32.2 Movement in investment in associate companies

	Bank Cost 2022 LKR '000	Bank Cost 2021 LKR '000	Group Equity value 2022 LKR '000	Group Equity value 2021 LKR '000
Balance as at 1 January	117,988	117,988	595,531	510,084
Share of profit/(loss), net of tax	–	–	122,847	133,677
Share of other comprehensive income, net of tax	–	–	(20,342)	11,376
Share of dividends	–	–	(13,500)	(59,606)
Balance as at 31 December	117,988	117,988	684,536	595,531

32.3 Movement in provision for impairment of investment in associate companies

	Bank 2022 LKR '000	Bank 2021 LKR '000
Balance as at 1 January	25,000	25,000
Impairment charge/(reversal) during the year	–	–
Balance as at 31 December	25,000	25,000

Notes to the Financial Statements

32.4 Share holding structure of associate companies

	Equity interest %		Shareholding structure	
Name of the Company	2022	2021	Name	Holding %
Ceybank Asset Management Limited (CAML)	43.36	43.36	Bank of Ceylon	43.36
			Sri Lanka Insurance Corporation	26.57
			Unit Trust of India	17.48
			Carson Cumberbatch PLC	12.59
Lanka Securities (Private) Limited (LSL)	44.51	44.51	First Capital Securities Corporation Limited	51.00
			Merchant Bank of Sri Lanka and Finance PLC	29.00
			Bank of Ceylon	20.00
			(Bank of Ceylon indirectly hold 24.51%)	
Transnational Lanka Records Solutions (Private) Limited (TLRS)	24.69	24.69	Transnational (Pvt) Ltd – Singapore	62.96
			Bank of Ceylon	24.69
			Seylan Bank PLC	12.35
Southern Development Financial Company Limited (SDFC)	41.67	41.67	Bank of Ceylon	41.67
			People's Bank	41.67
			Southern Development Authority of Sri Lanka	16.66

SDFC is not in operation and in the process of liquidation.

32.5 Summarised financial information of associates

	2022		
	CAML LKR '000	LSL LKR '000	TLRS LKR '000
Statement of Profit or Loss for the year			
Total income	205,581	543,996	400,295
Profit/(loss) before tax	84,659	200,554	166,592
Profit/(loss) after tax	62,384	144,299	163,111
Other comprehensive income	(46,914)	–	–
Total comprehensive income	15,470	144,299	163,111
Statement of Financial Position as at 31 December			
Total assets	777,942	1,071,304	1,433,427
Current liabilities	42,070	463,464	153,024
Total liabilities	65,558	465,627	799,456
Net assets	712,384	605,677	633,971
Dividend paid during the year	21,448	10,095	–
Dividend received to the Bank (net) during the year	9,300	4,200	–

	2021		
	CAML LKR '000	LSL LKR '000	TLRS LKR '000
Statement of Profit or Loss for the year			
Total income	143,898	752,190	130,353
Profit/(loss) before tax	59,045	373,566	117,932
Profit/(loss) after tax	42,058	268,968	107,427
Other comprehensive income	26,237	–	–
Total comprehensive income	68,295	268,968	107,427
Statement of Financial Position as at 31 December			
Total assets	769,523	1,406,708	809,989
Current liabilities	30,384	958,031	95,405
Total liabilities	49,647	959,782	282,190
Net assets	719,876	446,926	527,799
Dividend paid during the year	21,450	70,000	40,500
Dividend received to the Bank (net) during the year	18,600	25,798	11,000

33 Investment properties

Accounting policy

Recognition

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Measurement

Investment property is accounted for under Cost Model in the Financial Statements. Accordingly, after initial recognition as an asset, the property is carried at its cost, less accumulated depreciation and impairment losses.

If any property is reclassified to investment property due to changes in its use, fair value of such property at the date of reclassification becomes its cost for subsequent accounting.

Depreciation

Depreciation is provided on a straight-line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal. Provision for depreciation is made over the period of 20 years at the rate of 5% per annum using the straight-line method for buildings classified as investment property. Land is not depreciated under normal circumstances.

Derecognition

Investment properties are derecognised when they are disposed of, or permanently withdrawn from use since no future economic benefits are expected. Transfers are made to and from investment property only when there is a change in use. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Notes to the Financial Statements

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Cost				
Balance as at 1 January	3,003,007	3,003,007	148,409	148,409
Additions during the year	–	–	–	–
Balance as at 31 December	3,003,007	3,003,007	148,409	148,409
Less: Accumulated depreciation				
Balance as at 1 January	588,367	468,889	40,705	34,039
Charge for the year	–	119,478	2,906	6,666
Balance as at 31 December	588,367	588,367	43,611	40,705
Net investment properties	2,414,640	2,414,640	104,798	107,704

Rental income generated from investment properties for the year 2022 is LKR 24.0 million. (2021 – LKR 24.0 million).

There is no expense incured for maintenance of investment property during the year 2022.

Building value of LKR 588.4 million in Investment Property was fully depreciated as at 31.12.2021.

33.1 Unobservable inputs considered in measuring fair value

Significant unobservable inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
Estimated value per perch	LKR 12.0 million – LKR 16.0 million	Positively correlated sensitivity

33.2 Investment properties held by the Bank and Group

33.2.1 Bank

As at 31 December			2022				2021	
			Cost					
	Building (sq.ft)	Extent of land (Perches)	Land LKR '000	Building LKR '000	Total LKR '000	Fair value total LKR '000	Total LKR '000	Fair value total LKR '000
York Street building, No. 02, York Street, Colombo 01	261,610	181.85	2,414,640	588,367	3,003,007	3,003,007	3,003,007	3,003,007
Total			2,414,640	588,367	3,003,007	3,003,007	3,003,007	3,003,007

33.2.2 Group

As at 31 December

				2022				2021	
				Cost					
	Number of buildings	Building (sq.ft)	Extent of land (Perches)	Land LKR '000	Building LKR '000	Total LKR '000	Fair value total LKR '000	Total LKR '000	Fair value total LKR '000
No. 64 and 66, Nonagama Road, Pallegama, Embilipitiya	–	–	16.61	1,751	–	1,751	30,000	1,751	30,000
No. 385/1, Kotte Road, Pittakotte.	1	2,896	19.01	2,958	1,730	4,688	53,000	4,688	53,000
No. 116/4,116/7,116/26, 116/27,116/29 1st Cross Street, Colombo 01.	–	–	12.35	1,249	–	1,249	5,000	1,249	5,000
No. 102 and 104, Dam Street, Colombo 12.	1	20,368	50.70	17,970	11,989	29,959	188,000	29,959	188,000
Kumbuththukuliya watte, Bangadeniya Road, Puttalam.	–	–	320.00	600	–	600	55,000	600	55,000
Mirissawelawatta hena; Thekkawatta, Dambadeniya.	–	–	188.00	162	–	162	2,000	162	2,000
No. 50/21, Old Kesbawa Road, Raththanapitiya, Boralesgamuwa.	1	54,826	364.35	65,604	44,396	110,000	320,000	110,000	320,000
Total				90,294	58,115	148,409	653,000	148,409	653,000

Note:

The fair value of the investment properties as at 31 December 2022 was based on market valuations carried out in the year 2018 and 2019 by Mr D N Dhammika Baranage [RICS (UK), DIV AIS (SL)] and Mr H A W Perera [B Sc Estate Management and Valuation (Special)], Mr Samantha Kumara Madawan Arachchi [B.Sc. Estate Management and Valuation (Special), City Planning (JP), Dip(UPM)NI, AIREV] and Mr A G Gunarathne [B.Sc. Estate Mgt and Valuation, F.I.V (Sri Lanka)], Mr L G T Thungasiri [(AIV) F.I.V (Sri Lanka), Dip. in Valuation (SLTC)], who are independent valuers not connected with the companies. The Directors have reviewed values of the investment properties as at 31 December 2022 and concluded that there was no impairment.

34 Property, plant and equipment

Recognition

Property, plant and equipment (PPE) are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the asset can be reliably measured.

Measurement

Cost of property, plant and equipment includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is also capitalised as part of that equipment.

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Revaluation model is applied for entire class of freehold land and buildings and buildings on leasehold lands. The Market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use are taken into account in measuring the fair value.

Properties that carried at revaluation amount being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and building of the Group are revalued every three to five years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date. Any surplus arising on revaluation of an asset is accumulated under the Revaluation Reserve in Equity through Other Comprehensive Income. However, if there is any revaluation deficit of the same asset previously recognised on profit or loss, revaluation surplus is recognised on Profit or Loss to the extent it reverse such deficit.

Notes to the Financial Statements

Any deficit arising on revaluation of assets are recognised on Profit or Loss and such deficit is recognised in Other Comprehensive Income to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

Accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of assets and the net amount restated to the revalued amount of the assets. Where the carrying value of the property, plant and equipment are reviewed for impairment, when an event or changes in circumstances indicate that the carrying value may not be recoverable.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of PPE.

Subsequent costs

The cost of replacing a part of an item of PPE is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day to day servicing of property, plant and equipment are recognised in the Statement of Profit or Loss in "Other expenses" (Note 16) as incurred.

Capital work-in-progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, awaiting capitalisation.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the bank incurs in connection with the borrowing of funds.

Depreciation

Depreciation is recognised in Statement of Profit or Loss on a straight line basis over the estimated useful lives of each part of an item of Property, Plant and Equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. Further, cost of expansion and major renovations on the building are depreciated over the remaining useful lives of the original buildings.

Provisioning for depreciation of PPE is made on pro rata basis.

The Group's estimated useful lives for the current and comparative periods are as follows:

Freehold buildings	40-60 years
Office equipment	03-08 years
Furniture and fittings	08 years
Computer equipment	04-05 years
Motor vehicles	04 years

Depreciation methods, useful lives and residual values are reassessed at each financial year end and adjusted if appropriate.

Useful life and residual values

Residual value is the amount that Group could receive for an asset at the reporting date if the asset was already at the age and in the condition that it will be in when the Group expects to dispose it.

The residual and useful life of an asset are reviewed at least at each reporting date, changes in the residual value and useful life are accounted for prospectively as a change in an accounting estimate only if the residual value is material.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal, replacement or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the "Net Other operating income" (Note 13)/"Other expenses" (Note 16) in the Statement of Profit or Loss in the year the item is derecognised.

Reclassification as investment property

When the use of property changes such that is reclassified as investment property, its fair value at the date of reclassification becomes its cost for subsequent accounting. Any gain arising on re-measurement is recognised in the Statement of Profit or Loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in Other Comprehensive Income and presented in revaluation reserve in equity. Any loss is recognised immediately in the Statement of Profit or Loss.

34.1 Bank

	Freehold land LKR '000	Freehold building LKR '000	Buildings on leasehold land LKR '000	Equipment Note 34.12.1 LKR '000	Motor vehicles LKR '000	Leasehold motor vehicles LKR '000	Capital work-in-progress LKR '000	2022 Total LKR '000	2021 Total LKR '000
Cost or valuation									
As at 1 January	19,911,607	4,608,143	2,966,552	18,971,479	1,650,523	37,548	646,145	48,791,997	47,494,644
Additions during the year									
Acquisitions	92,773	106,361	67,375	1,551,530	–	–	425,601	2,243,640	1,771,198
Capitalisations	–	69,275	3,714	–	–	–	(72,989)	–	–
Changes in revaluation surplus/(deficit)	260,573	25,828	1,417,144	–	–	–	–	1,703,545	(284,831)
Transfer of accumulated depreciation on revalued assets	–	(8,424)	(373,434)	–	–	–	–	(381,858)	–
Disposals during the year	–	–	(40,594)	(157,555)	–	–	–	(198,149)	(207,585)
Exchange rate adjustments	–	–	–	249,965	15,657	–	–	265,622	33,037
Transfers/adjustments	–	15,175	–	–	–	–	(2,637)	12,538	(14,465)
As at 31 December	20,264,953	4,816,358	4,040,757	20,615,419	1,666,180	37,548	996,120	52,437,335	48,791,998
Accumulated depreciation									
As at 1 January	–	139,966	464,558	13,842,468	1,549,973	37,548	–	16,034,513	14,128,641
Charge for the year	–	154,912	99,782	1,577,646	62,620	–	–	1,894,960	2,054,485
Transfer of accumulated depreciation on revalued assets	–	(8,424)	(373,434)	–	–	–	–	(381,858)	–
Disposals during the year	–	–	(33,041)	(155,670)	–	–	–	(188,711)	(191,333)
Revaluation adjustment	–	–	–	–	–	–	–	–	15,179
Exchange rate adjustments	–	–	–	220,450	12,919	–	–	233,369	27,541
Transfers/adjustments	–	–	58	–	–	–	–	58	–
As at 31 December	–	286,454	157,923	15,484,894	1,625,512	37,548	–	17,592,331	16,034,513
Net book value as at 31 December 2022	20,264,953	4,529,904	3,882,834	5,130,525	40,668	–	996,120	34,845,004	
Net book value as at 31 December 2021	19,911,607	4,468,177	2,501,994	5,129,011	100,550	–	646,146		32,757,485

Notes to the Financial Statements

34.2 Group

	Freehold land LKR '000	Freehold building LKR '000	Buildings on leasehold land LKR '000	Equipment Note 34.12.1 LKR '000	Motor vehicles LKR '000	Leasehold motor vehicles LKR '000	Capital work-in-progress LKR '000	2022 Total LKR '000	2021 Total LKR '000
Cost or valuation									
As at 1 January	23,067,079	7,660,743	12,191,904	20,454,368	1,840,231	60,924	707,090	65,982,339	64,446,697
Additions during the year									
Acquisitions	92,773	286,616	767,284	1,595,550	–	–	425,601	3,167,824	1,900,544
Capitalisations	–	69,275	3,714	–	–	–	(72,989)	–	–
Changes in revaluation surplus/(deficit)	260,573	543,537	2,197,520	–	–	–	–	3,001,630	530,804
Transfer of accumulated depreciation on revalued assets	–	(37,422)	(920,456)	–	–	–	–	(957,878)	(438,650)
Disposals during the year	–	–	(47,362)	(158,049)	–	–	–	(205,411)	(527,864)
Exchange rate adjustments	356,016	250,128	–	343,103	15,657	–	–	964,904	86,510
Transfers/adjustments	–	15,175	–	231	3,190	–	(2,637)	15,959	(15,702)
As at 31 December	23,776,441	8,788,052	14,192,604	22,235,203	1,859,078	60,924	1,057,065	71,969,367	65,982,339
Accumulated depreciation									
As at 1 January	–	1,167,878	1,120,176	15,013,011	1,676,553	60,530	–	19,038,148	17,028,077
Charge for the year	–	245,585	731,320	1,659,018	81,994	–	–	2,717,917	2,812,815
Transfer of accumulated depreciation on revalued assets	–	(37,422)	(920,456)	–	–	–	–	(957,878)	–
Disposals during the year	–	–	(33,041)	(155,670)	–	–	–	(188,711)	(416,099)
Revaluation adjustment	–	–	–	–	–	–	–	–	(423,471)
Exchange rate adjustments	–	62,489	–	285,861	12,919	–	–	361,269	36,826
Transfers/adjustments	–	–	58	–	6,241	–	–	6,299	–
As at 31 December	–	1,438,530	898,057	16,802,220	1,777,707	60,530	–	20,977,044	19,038,148
Net book value as at 31 December 2022	23,776,441	7,349,522	13,294,547	5,432,983	81,371	394	1,057,065	50,992,323	
Net book value as at 31 December 2021	23,067,079	6,492,865	11,071,728	5,441,357	163,678	394	707,090		46,944,191

34.3 Title restriction on property, plant and equipment

There were no restrictions that existed in the title of the property, plant and equipment of the Bank and the Group as at the reporting date.

34.4 Property, plant and equipment pledged as security for liabilities

No freehold property, plant and equipment have been pledged as security for any liability.

34.5 Compensation from third parties for items of property, plant and equipment

There were no compensation received/receivable from third parties for items of property, plant and equipment which were impaired or given up.

34.6 Fully depreciated property, plant and equipment

The initial cost of fully depreciated property, plant and equipment which are still in use are as follows:

As at 31 December	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Motor vehicles	1,563,711	1,226,115	1,751,625	1,247,517
Computer equipments	6,334,878	5,008,981	7,048,750	5,020,158
Equipment, furniture, and fittings	2,374,110	2,102,715	2,980,141	2,122,473
Buildings on leasehold lands	626,069	39,350	55,251	39,350
Plant and machinery	1,817,005	1,713,280	2,405,900	1,713,495
Total	12,715,773	10,090,441	14,241,667	10,142,993

34.7 Temporarily idle property, plant and equipment

There were no temporarily idle property, plant and equipment as at the reporting date.

34.8 Property, plant and equipment retired from active use

The Group held no property, plant and equipment retired from active use and which were not classified as held for sale in accordance with SLFRS 5 – "Non-current assets held for sale and discontinued operations".

34.9 Freehold properties

The carrying value of freehold properties, that would have been recognised in the Financial Statements, if they were carried at cost less accumulated depreciation is as follows:

34.9.1 Bank

As at 31 December	2022			2021		
	Cost LKR '000	Accumulated depreciation LKR '000	Net book value LKR '000	Cost LKR '000	Accumulated depreciation LKR '000	Net book value LKR '000
Land	2,172,855	–	2,172,855	2,069,386	–	2,069,386
Building	2,872,904	(962,385)	1,910,519	2,736,099	(916,557)	1,819,542
Total	5,045,759	(962,385)	4,083,374	4,805,485	(916,557)	3,888,928

34.9.2 Group

As at 31 December	2022			2021		
	Cost LKR '000	Accumulated depreciation LKR '000	Net book value LKR '000	Cost LKR '000	Accumulated depreciation LKR '000	Net book value LKR '000
Land	2,305,121	–	2,305,121	2,195,353	–	2,195,353
Building	4,122,372	(1,819,102)	2,303,270	3,926,069	(1,732,478)	2,193,591
Total	6,427,493	(1,819,102)	4,608,391	6,121,422	(1,732,478)	4,388,944

Notes to the Financial Statements

34.10 Revaluation of leasehold/freehold properties – Group

The following buildings on leasehold/freehold lands of the subsidiaries were revalued during the year by professionally qualified independent valuers.

Leasehold properties			2022		
Details of properties	Valuer	Basis of valuation	Carrying value LKR '000	Revalued amount of building LKR '000	Surplus/ (loss) of building LKR '000
Property Development Limited Bank of Ceylon Head Office Building "BoC Square", Colombo 01 (Revalued as at 31 December 2022)	Prathap Chartered Valuation and Consultancy (Pvt) Ltd	Depreciated replacement cost method	7,684,787	8,883,816	1,199,029
BoC Property Development and Management (Private) Limited Bank of Ceylon – Ceybank house No. 86, Sri Dalada Veediya, Kandy (Revalued as at 31 December 2022)	M/s P B Kalugalagedara and Associates	Market value method	475,696	638,700	163,004

Freehold land			2022		
Details of properties	Valuer	Basis of valuation	Carrying value LKR '000	Revalued amount of building LKR '000	Surplus/ (loss) of building LKR '000
Bank of Ceylon (UK) Limited 1, Devonshire Square, London EC2M4AD (Revalued as at 3 February 2020)	Mark Short MRICS	Market value method	734,664	920,025	185,361

Freehold buildings			2022		
Details of properties	Valuer	Basis of valuation	Carrying value LKR '000	Revalued amount of building LKR '000	Surplus/ (loss) of building LKR '000
BoC Property Development and Management (Private) Limited Bank of Ceylon – Merchant Tower St. Micheal's Road, Colombo 03 (Revalued as at 31 December 2022)	M/s P B Kalugalagedara and Associates	Market value method	1,718,564	2,234,000	515,436

34.11 Unobservable inputs considered in measuring fair value

The following table depicts information about significant unobservable inputs used in measuring fair value of the assets categorised under Level 3 of the fair value hierarchy.

34.11.1 Bank

				2022	
Type of asset	Fair value as at 31.12.2022 LKR '000	Valuation technique	Significant unobservable inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
Freehold land	20,264,953	Market comparable method	Estimated cost per perch	LKR 50,000 – LKR 19,053,000	Positively correlated sensitivity
Freehold buildings	4,529,836	Market comparable method	Estimated cost per square feet	LKR 600 – LKR 59,000	Positively correlated sensitivity
Buildings on leasehold lands	3,882,833	Rental value basis	Estimated rental value per square feet	LKR 110 – LKR 11,250	Positively correlated sensitivity
			Expected market rental growth p.a	5%	Positively correlated sensitivity
			Anticipated maintenance cost	40%	Positively correlated sensitivity
			Discount rate	6%	Negatively correlated sensitivity

34.11.2 Group

				2022	
Type of asset	Fair value as at 31.12.2022 LKR '000	Valuation technique	Significant unobservable inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
Freehold land	23,776,441	Market comparable method	Estimated cost per perch	LKR 50,000 – LKR 20,000,000	Positively correlated sensitivity
Freehold buildings	7,349,450	Market comparable method	Estimated cost per square feet	LKR 600 – LKR 59,000	Positively correlated sensitivity
Buildings on leasehold lands	13,294,547	Rental value basis	Estimated rental value per square feet	LKR 110 – LKR 11,250	Positively correlated sensitivity
			Expected market rental growth p.a	5% –7.5%	Positively correlated sensitivity
			Anticipated maintenance cost	40%	Positively correlated sensitivity
			Discount rate	5.5% -10%	Negatively correlated sensitivity

Notes to the Financial Statements

34.12 Equipment

34.12.1 Bank

	Computer equipment LKR '000	Furniture and fittings LKR '000	Office equipment LKR '000	2022 Total LKR '000	2021 Total LKR '000
Cost					
Balance as at 1 January	9,989,900	5,670,643	3,310,936	18,971,479	18,097,426
Additions during the year					
Acquisitions	809,951	563,463	178,116	1,551,530	964,320
Capitalisations	–	–	–	–	–
Disposals during the year	(40,787)	(69,423)	(47,345)	(157,555)	(117,473)
Exchange rate adjustments	204,579	20,624	24,762	249,965	27,206
Transfers/adjustments	–	–	–	–	–
Balance as at 31 December	10,963,643	6,185,307	3,466,469	20,615,419	18,971,479
Accumulated depreciation					
Balance as at 1 January	7,702,886	3,629,242	2,510,340	13,842,468	12,254,271
Charge for the year	916,919	459,480	201,247	1,577,646	1,680,626
Disposals during the year	(40,643)	(68,174)	(46,853)	(155,670)	(114,577)
Exchange rate adjustments	184,307	18,339	17,804	220,450	22,148
Transfers/adjustments	–	–	–	–	–
Balance as at 31 December	8,763,469	4,038,887	2,682,538	15,484,894	13,842,468
Net book value as at 31 December 2022	2,200,174	2,146,420	783,931	5,130,525	
Net book value as at 31 December 2021	2,287,014	2,041,401	800,596		5,129,011

34.12.2 Group

	Computer equipment LKR '000	Furniture and fittings LKR '000	Office equipment LKR '000	2022 Total LKR '000	2021 Total LKR '000
Cost					
Balance as at 1 January	10,582,879	6,512,012	3,359,477	20,454,368	19,798,385
Additions during the year	–	–	–	–	–
Acquisitions	814,813	593,045	187,692	1,595,550	1,044,458
Capitalisations	–	–	–	–	–
Disposals during the year	(40,821)	(69,792)	(47,436)	(158,049)	(421,243)
Exchange rate adjustments	264,324	54,017	24,762	343,103	32,768
Transfers/adjustments	–	–	231	231	–
Balance as at 31 December	11,621,195	7,089,282	3,524,726	22,235,203	20,454,368
Accumulated depreciation					
Balance as at 1 January	8,203,786	4,259,662	2,549,563	15,013,011	13,530,316
Charge for the year	940,696	488,443	229,879	1,659,018	1,785,308
Disposals during the year	(40,677)	(68,517)	(46,476)	(155,670)	(328,945)
Exchange rate adjustments	223,539	44,520	17,802	285,861	26,332
Transfers/adjustments	–	–	–	–	–
Balance as at 31 December	9,327,344	4,724,108	2,750,768	16,802,220	15,013,011
Net book value as at 31 December 2022	2,293,851	2,365,174	773,958	5,432,983	
Net book value as at 31 December 2021	2,379,357	2,252,425	809,575		5,441,357

Notes to the Financial Statements

34.13 The details of Freehold land and building held by the bank as at 31 December 2022 are as follows:

Name of premises	Number of buildings	Land extent (Perches)	Building (Square feet)	Date of valuation	Valuer
Central Province					
Galaha Branch, 59/37, Deltota Road, Galaha	1	15.00	8,410	31.12.2020	R H Jayawardana
Gampola Branch, 44, Kadugannawa Road, Gampola	1	175.00	9,832	31.12.2020	R H Jayawardana
Galewela Branch, 158, Dhambulla Road, Galewela	1	47.00	6,958	30.11.2020	Upali Rajapaksha
Hatton Branch and Staff Quarters, 46, Circular Road, Hatton	2	139.57	10,891	31.12.2020	R H Jayawardana
Kandy 2nd City Branch, Cey Bank House, 88, Dalada Veediya, Kandy	1	42.81	18,523	31.12.2020	R H Jayawardana
Kandapola Branch, 31, 33, Main Street, Kandapola	1	14.10	4,536	30.09.2022	K T D Tissera
Maskeliya Branch, 66, Upcot Road, Maskeliya	1	42.05	6,607	31.12.2020	R H Jayawardana
Nawalapitiya Branch, 6, Gampola Road, Nawalapitiya	1	21.92	9,790	31.12.2020	R H Jayawardana
Nuwara Eliya Branch, 43, Lawson Street, Nuwara Eliya	1	133.50	9,713	31.12.2020	R H Jayawardana
Nuwara Eliya Staff Quarters, 14,19, Hill Street, Nuwara Eliya	1	41.40	4,847	31.12.2020	R H Jayawardana
Nuwara Eliya Property Ladies Staff Quarters, 12, Hill Street, Nuwara Eliya	1	14.99	1,303	31.12.2020	R H Jayawardana
Rikillagaskada Branch, 3, Dimbulkubura Road, Rikillagaskada	1	19.60	4,676	26.07.2017	N M Keppetipola
Thalawakele Branch, 23,25,29, Hatton Road, Thalawakele	1	25.30	7,332	31.12.2020	R H Jayawardana
Thalawakele Staff Quarters, Thalawakele Estate, Thalawakele	1	160.00	4,898	31.12.2020	R H Jayawardana
Eastern Province					
Batticaloa Branch, 19, Govington Road, Batticaloa	1	64.85	7,464	31.12.2020	R H Jayawardana
Mutur Branch (New), 36/1, Trincomalee Road Ward, No 07, Muttur	1	71.00	7,566	31.12.2020	R H Jayawardana
Potuvil Branch, Main Street, Pottuvil	1	10.70	4,077	31.12.2020	R H Jayawardana
Trincomalee Branch, 24, Inner Harbour Road, Trincomalee	1	90.00	10,810	31.12.2020	R H Jayawardana
Trincomalee City Branch, 09, Main Street, Trincomalee	1	21.90	9,620	31.12.2020	R H Jayawardana
Valachchenai Branch, Main Street, Valachchenai	1	47.34	6,621	31.12.2020	R H Jayawardana
Northern Province					
Jaffna Area Office & Branch, 476,476A, Hospital Road, Jaffna	2	166.25	23,641	30.11.2020	K T D Tissera
Jaffna 2nd Branch, 56, Stanley Road, Jaffna	1	33.89	14,511	30.09.2022	K.T.D.Tissera
Karainagar Branch, Post Office View, Karainagar	1	20.09	2,633	30.11.2020	K T D Tissera
Mannar Branch (Land), Moor street, Mannar	–	63.22	–	30.11.2020	A R M M Kaleel
Nelliadi Branch, 23, Kodikamam Road,Nelliady	1	42.74	10,889	30.11.2020	A R M M Kaleel
North Western Province					
Alawwa Branch, 64, Giriulla Road, Alawwa	1	30.80	7,011	30.11.2020	R W M S B Rajapaksha
Bingiriya Land, 44, Chilaw Road, Bingiriya	–	40.00	–	30.11.2020	Upali Rajapaksha
Chilaw Branch, Radaguru Edmund Peiris Mawatha, Chilaw	1	38.25	8,935	30.11.2020	R W M S B Rajapaksha
Dankotuwa Branch (Land), 01/60, Negombo Road, Dankotuwa	1	32.90	–	30.09.2022	Sumedha Hapugoda
Dummalasooriya Branch, 227, Kuliyapitiya – Madampe Road, Dummalasuriya	1	41.68	6,139	30.11.2020	R W M S B Rajapaksha
Kurunegala Province Office, AGM's Quarters & CM Quarters, 18, Mihindu Mawatha, Kurunegala	3	225.00	20,575	31.12.2020	R H Jayawardana
Kurunegala Super Grade Branch, Commercial Complex, Kurunegala	1	–	12,242	31.12.2020	R H Jayawardana

Basis of valuation	Carrying value of land LKR '000	Revalued/ carrying value of land LKR '000	Revaluation surplus/ (loss) of land LKR '000	Carrying value of building LKR '000	Revalued/ carrying value of building LKR '000	Revaluation surplus/ (loss) of buildings LKR '000	Total value LKR '000	Accumulated depreciation LKR '000	Written down value LKR '000
Contractor's Method	22,500	22,500	–	29,370	29,370	–	51,870	1,678	50,192
Contractor's Method	245,000	245,000	–	26,157	26,157	–	271,157	1,495	269,662
Contractor's Method	117,500	117,500	–	60,193	60,193	–	177,693	2,943	174,750
Contractor's Method	279,140	279,140	–	44,645	44,645	–	323,785	2,277	321,508
Contractor's Method	642,150	642,150	–	118,033	118,033	–	760,183	7,370	752,813
Contractor's Method	37,109	35,000	(2,109)	14,281	18,000	3,719	53,000	100	52,900
Contractor's Method	42,000	42,000	–	22,297	22,297	–	64,297	1,245	63,052
Contractor's Method	54,800	54,800	–	35,244	35,244	–	90,044	1,762	88,282
Contractor's Method	867,750	867,750	–	38,863	38,863	–	906,613	1,927	904,686
Contractor's Method	103,500	103,500	–	16,116	16,116	–	119,616	1,465	118,151
Contractor's Method	11,242	11,242	–	4,104	4,104	–	15,346	205	15,141
Contractor's Method	30,199	30,199	–	11,500	11,500	–	41,699	1,853	39,846
Contractor's Method	39,650	39,650	–	22,254	22,254	–	61,904	1,110	60,794
Contractor's Method	11,200	11,200	–	13,944	13,944	–	25,144	697	24,447
	2,503,740	**2,501,631**	**(2,109)**	**457,001**	**460,720**	**3,719**	**2,962,351**	**26,127**	**2,936,224**
Contractor's Method	64,850	64,850	–	23,676	23,676	–	88,526	2,368	86,158
Contractor's Method	24,850	24,850	–	45,396	45,396	–	70,246	2,270	67,976
Contractor's Method	24,075	24,075	–	18,304	18,304	–	42,379	915	41,464
Contractor's Method	99,000	99,000	–	25,699	25,699	–	124,699	2,559	122,140
Contractor's Method	38,325	38,325	–	90,746	90,746	–	129,071	2,448	126,623
Contractor's Method	37,872	37,872	–	18,793	18,793	–	56,665	1,241	55,424
	288,972	**288,972**	**–**	**222,614**	**222,614**	**–**	**511,586**	**11,801**	**499,785**
Contractor's Method	540,000	540,000	–	35,137	35,137	–	575,137	3,509	571,628
Contractor's Method	135,269	186,000	50,731	48,405	76,000	27,595	262,000	507	261,493
Contractor's Method	5,000	5,000		10,524	10,524	–	15,524	552	14,972
Contractor's Method	35,000	35,000	–	–	–	–	35,000	–	35,000
Contractor's Method	60,000	60,000	–	55,000	55,000	–	115,000	2,750	112,250
	775,269	**826,000**	**50,731**	**149,066**	**176,661**	**27,595**	**1,002,661**	**7,318**	**995,343**
Contractor's Method	54,000	54,000	–	22,000	22,000	–	76,000	1,100	74,900
Contractor's Method	30,000	30,000	–	–	–	–	30,000	–	30,000
Contractor's Method	76,500	76,500	–	28,500	28,500	–	105,000	1,425	103,575
Contractor's Method	49,973	65,800	15,827	–	–	–	65,800	–	65,800
Contractor's Method	41,500	41,500	–	23,500	23,500	–	65,000	1,175	63,825
Contractor's Method	1,012,500	1,012,500	–	95,277	95,277	–	1,107,777	4,761	1,103,016
Investment method	–	–	–	224,600	224,600	–	224,600	11,230	213,370

Notes to the Financial Statements

Name of premises	Number of buildings	Land extent (Perches)	Building (Square feet)	Date of valuation	Valuer
Kurunegala 2nd City Branch, 35, Colombo Road, Kurunegala	1	49.40	28,000	30.11.2020	R W M S B Rajapaksha
Madampe Branch, 10, Station Road, Madampe	1	61.10	7,260	30.11.2020	R W M S B Rajapaksha
Madurankuliya Branch, 66, Colombo Road, Madurankuliya	1	46.00	5,760	30.11.2020	R W M S B Rajapaksha
Malsiripura Branch, 362, 358, Dambulla Road, Malsiripura	1	46.20	7,242	30.11.2020	R W M S B Rajapaksha
Marawila Branch (Land), 85, Negombo Road, Marawila	–	35.00	–	30.09.2022	K T D Tissera
Narammala Branch, 139, Negombo Road, Narammala	1	117.50	7,190	30.11.2020	R W M S B Rajapaksha
Nattandiya Branch (Land), 115, Marawila Road, Nattandiya	–	40.00	–	30.11.2020	Upali Rajapaksha
Waikkal Branch (Land), 43/44,Thopputota, Waikkal	–	36.00	–	30.11.2020	Upali Rajapaksha
Wariyapola Branch (Land), 32, Kurunegala Road, Wariyapola	–	40.80	–	30.11.2020	R W M S B Rajapaksha
Sabaragamuwa Province					
Balangoda Branch, 137, 139, Main Street, Balangoda	1	14.50	3,520	30.11.2020	S A R Amarasinghe
Dehiowita Branch, 62 Main Street, Dehiowita	1	38.60	3,818	30.11.2020	A G Gunaratna
Kegalle Branch, 110, Colombo Road, Kegalle	1	131.38	16,718	30.11.2020	W D P Rupananda
Ratnapura Branch, 6, Dharmapala Mawatha, Ratnapura	1	99.70	11,082	30.11.2020	W D P Rupananda
Rathnapura Branch (Land), 25,Shaviya Mawatha, Ratnapura	–	31.69	–	30.11.2020	W D P Rupananda
Southern Province					
Ambalangoda Branch, 345, Galle Road, Ambalangoda	1	58.00	6,330	30.11.2020	U Rajapaksha
Ambalantota Branch, 11, Wanduruppa Road, Ambalantota	1	38.00	5,410	30.11.2020	U Rajapaksha
Ahangama Branch, 54, Galle Road, Ahangama	1	33.35	4,917	30.11.2020	U Rajapaksha
Batapola Branch, Aluthwatte, Batapola	1	46.80	3,024	30.09.2022	E Dayasena
Beliatta Branch, 67, Walasmulla Road, Beliatta	1	53.02	6,200	30.11.2020	U Rajapaksha
Deniyaya Land, Viharahena Road, Deniyaya	–	55.80	–	26.02.2019	U Rajapaksha
Galle Province Office, 20, Hospital Street, Fort, Galle	1	32.63	14,250	30.11.2020	S A R Amarasinghe
Galle Branch, 2, Light House Street, Fort, Galle	1	31.50	16,200	30.11.2020	S A R Amarasinghe
Galle City Land, 07, Sri Dewamitta Mawatha, Galle	–	27.14	–	30.09.2022	U Rajapaksha
Hakmana Branch, Beliatta Road, Hakmana	1	36.70	3,400	30.11.2020	U Rajapaksha
Imaduwa Branch, Ahangama Road, Imaduwa	1	83.50	3,300	30.11.2020	S A R Amarasinghe
Karapitiya Land, 167A, Hirimbura Cross Road, Karapitiya	–	35.00	–	30.11.2020	U Rajapaksha
Matara Super Grade Branch & Southern Province Office, 11, Kumaratunga Mawatha, Matara	1	104.40	52,969	30.11.2020	U Rajapaksha
Matara Bazzar Branch, 58, New Tangalle Road, Matara	1	49.25	6,920	30.11.2020	U Rajapaksha
Nagoda Branch, Mapalagama Road, Nagoda	1	40.00	3,100	30.11.2020	S A R Amarasinghe
Ranna Land, Mainstreet, Ranna	–	40.00	–	25.10.2018	U Rajapaksha
Tangalle Branch, 91/1,91/2,Tissa Road, Tangalle	1	21.05	5,370	30.11.2020	U Rajapaksha
Weeraketiya Branch, Belliatta Road, Weeraketiya	1	36.87	4,480	30.11.2020	U Rajapaksha
Weligama Branch, 239 Main Street, Weligama	1	97.75	8,110	30.11.2020	S A R Amarasinghe
Walasmulla Branch, 28, Beliatta Road, Walasmulla	1	38.00	8,045	30.11.2020	U Rajapaksha

Basis of valuation	Carrying value of land LKR '000	Revalued/ carrying value of land LKR '000	Revaluation surplus/ (loss) of land LKR '000	Carrying value of building LKR '000	Revalued/ carrying value of building LKR '000	Revaluation surplus/ (loss) of buildings LKR '000	Total value LKR '000	Accumulated depreciation LKR '000	Written down value LKR '000
Comparison's Method	468,000	468,000	–	1,670	1,670	–	469,670	191	469,479
Contractor's Method	61,000	61,000	–	26,000	26,000	–	87,000	1,300	85,700
Contractor's Method	62,100	62,100	–	32,700	32,700	–	94,800	1,635	93,165
Contractor's Method	69,000	69,000	–	47,443	47,443	–	116,443	2,366	114,077
Contractor's Method	48,879	61,250	12,371	–	–	–	61,250	–	61,250
Contractor's Method	92,750	92,750	–	38,750	38,750	–	131,500	1,937	129,563
Contractor's Method	60,000	60,000	–	–	–	–	60,000	–	60,000
Contractor's Method	60,000	60,000	–	–	–	–	60,000	–	60,000
Comparison's Method	100,000	100,000	–	–	–	–	100,000	–	100,000
	2,286,202	**2,314,400**	**28,198**	**540,440**	**540,440**	**–**	**2,854,840**	**27,120**	**2,827,720**
Depreciated Replacement Cost Method	36,200	36,200	–	3,100	3,100	–	39,300	620	38,680
On Cost Approach	20,090	20,090	–	2,418	2,418	–	22,508	2,418	20,090
Contractor's Method	350,000	350,000	–	55,154	55,154	–	405,154	3,668	401,486
Contractor's Method	110,000	110,000	–	35,000	35,000	–	145,000	1,944	143,056
Comparison Method	118,000	118,000	–	–	–	–	118,000	–	118,000
	634,290	**634,290**	**–**	**95,672**	**95,672**	**–**	**729,962**	**8,650**	**721,312**
Contractor's Method	116,000	116,000	–	39,550	39,550	–	155,550	1,978	153,572
Contractor's Method	47,500	47,500	–	22,095	22,095	–	69,595	3,420	66,175
Comparison Method	40,000	40,000	–	77,333	77,333	–	117,333	1,984	115,349
Contractor's Method	60,012	70,200	10,188	11,451	12,700	1,249	82,900	–	82,900
Contractor's Method	101,436	101,436	–	39,064	39,064	–	140,500	1,953	138,547
Contractor's Method	57,224	57,224	–	–	–	–	57,224	–	57,224
Contractor's Method	261,000	261,000	–	25,650	25,650	–	286,650	2,565	284,085
Depreciated Replacement Cost Method	252,000	252,000	–	29,329	29,329	–	281,329	2,923	278,406
Contractor's Method	126,566	141,200	14,634	–	–	–	141,200	–	141,200
Contractor's Method	49,500	49,500	–	11,500	11,500	–	61,000	575	60,425
Depreciated Replacement Cost Method	62,600	62,600	–	7,900	7,900	–	70,500	564	69,936
Comparison Method	77,000	77,000	–	–	–	–	77,000	–	77,000
Contractor's Method	395,400	395,400	–	385,712	385,712	–	781,112	10,236	770,876
Contractor's Method	153,750	153,750	–	43,729	43,729	–	197,479	2,186	195,293
Depreciated Replacement Cost Method	20,000	20,000	–	10,700	10,700	–	30,700	535	30,165
Contractor's Method	28,199	28,199	–	–	–	–	28,199	–	28,199
Contractor's Method	31,575	31,575	–	32,000	32,000	–	63,575	1,600	61,975
Contractor's Method	48,000	48,000	–	26,700	26,700	–	74,700	1,335	73,365
Depreciated Replacement Cost Method	97,750	97,750	–	22,265	22,265	–	120,015	1,474	118,541
Contractor's Method	57,000	57,000	–	60,463	60,463	–	117,463	3,021	114,442
	2,082,512	**2,107,334**	**24,822**	**845,441**	**846,690**	**1,249**	**2,954,024**	**36,349**	**2,917,675**

Notes to the Financial Statements

Name of premises	Number of buildings	Land extent (Perches)	Building (Square feet)	Date of valuation	Valuer
Uva Province					
AGM Quarters Uva, 1/90, Bandarawela Road, Badulla	1	220.00	3,836	18.07.2021	L H Lickson
Badulla Uva Province Office, 17, Hill Drive, Keppetipola Road, Badulla	2	118.75	9,537	30.11.2020	L H Lickson
Bandarawela Branch, 198 B, Badulla Road, Bandarawela	1	10.60	7,731	30.11.2020	L H Lickson
Ettampitiya Branch, 23, Nuwara Eliya Road, Ettampitiya	1	20.35	3,729	30.11.2020	L H Lickson
Haputale Branch (Browns), 20, Station Road, Haputale	1	158.70	7,361	30.11.2020	L H Lickson
Monaragala Branch, Manager Quarters & staff Quarters 401, Wellawaya Road, Moneragala	3	320.00	13,011	30.11.2020	L H Lickson
Siyabalanduwa Branch, Premadasa Hardware Building, Ampara Junction, Siyabalanduwa	1	28.00	5,886	30.10.2022	K T D Tissera
Western Province North					
Gampaha Branch, 170, Colombo Road, Gampaha	1	34.06	7,295	30.11.2020	S A R Amarasingha
Ganemulla Branch (Land), 156, Kirindiwita Road, Ganemulla	–	43.61	–	30.09.2022	S A R Amarasinghe
Ja Ela Branch, 19, Negombo Road, Ja-ela	1	45.94	7,800	31.12.2020	A R M M Kaleel
Kadawatha Branch, 469, Ragama Road, Kadawatha	1	30.72	6,138	31.12.2020	A R M M Kaleel
Kiribathgoda Branch (Land), 235, Kandy Road, Kiribathgoda	–	43.70	–	30.09.2022	A G Gunaratna
Negombo Branch, 118, Rajapakse Broadway, Negombo	1	93.60	13,503	30.11.2020	S A R Amarasingha
Negombo City Branch, 77, Main Street, Negombo	1	10.76	8,355	30.11.2020	S A R Amarasingha
Pettah Branch, 212/63, Gas Work Street, Colombo 11	1	28.29	25,222	30.11.2020	W D P Rupananda
Western Province South					
Aluthgama Branch, 14, Douglas Gunawardena Mawatha, Aluthgama	1	36.60	6,558	30.11.2020	B K Dayaratne
Beruwala Branch, 165A, Galle Road, Beruwala	1	21.50	5,850	30.11.2020	B K Dayaratne
Bulathsinhala Branch, 40, Horana Road, Athura, Bulathsinhala	1	55.52	6,900	30.11.2020	B K Dayaratne
Dehiwala Branch, 207, Galle Road, Dehiwela	1	22.00	12,454	30.11.2020	A G Gunaratna
Horana Branch, 87, Anguruwathota Road, Horana	1	70.02	10,280	30.11.2020	B K Dayaratne
Idama Branch, 707, Galle Road, Moratuwa	1	61.12	10,464	30.11.2020	A G Gunaratna
Kalutara Branch, 218, Galle Road, Kalutara South, Kalutara	1	45.86	10,645	30.11.2020	B K Dayaratne
Kottawa Branch (Land), 903, Avissawella Road, Kottawa	–	35.22	–	30.09.2022	A G Gunaratna
Maharagama Branch & Central Training Institute, 88, Highlevel Road, Maharagama	2	185.10	82,121	30.11.2020	A G Gunaratna
Matugama Branch, No. 72, Agalawatte Road, Matugama	1	9.50	4,158	30.11.2020	A G Gunaratna
Nugegoda Branch, 174, Highlevel Road, Nugegoda,	1	67.73	42,253	30.11.2020	A G Gunaratna
Panadura Branch, 21, Susantha Mawatha, Panadura	1	80.00	11,336	30.11.2020	K D Tissera
Panadura City Branch, 17/3D, Jayathilake Mawatha, Panadura	1	36.00	7,764	30.11.2020	A G Gunaratna
Wadduwa Branch, 58 & 56, Station Road, Wadduwa	1	29.00	4,500	30.11.2020	B K Dayaratne

Basis of valuation	Carrying value of land LKR '000	Revalued/ carrying value of land LKR '000	Revaluation surplus/ (loss) of land LKR '000	Carrying value of building LKR '000	Revalued/ carrying value of building LKR '000	Revaluation surplus/ (loss) of buildings LKR '000	Total value LKR '000	Accumulated depreciation LKR '000	Written down value LKR '000
Investment & Contractor's Method	92,773	92,773	–	5,227	5,227	–	98,000	29	97,971
Investment & Contractor's Method	59,316	59,316	–	17,347	17,347	–	76,663	3,855	72,808
Contractor's Method	82,824	82,824	–	23,776	23,776	–	106,600	2,797	103,803
Investment & Contractor's Method	11,123	11,123	–	10,628	10,628	–	21,751	531	21,220
Contractor's Method	39,192	39,192	–	11,508	11,508	–	50,700	1,644	49,056
Contractor's Method	84,800	84,800	–	42,538	42,538	–	127,338	2,577	124,761
Contractor's Method	21,699	35,000	13,301	21,235	14,500	(6,735)	49,500	–	49,500
	391,727	**405,028**	**13,301**	**132,259**	**125,524**	**(6,735)**	**530,552**	**11,433**	**519,119**
Depreciated Replacement Cost Method	119,200	119,200	–	36,519	36,519	–	155,719	1,826	153,893
Contractor's Method	72,645	78,500	5,855	–	–	–	78,500	–	78,500
Contractor's Method	165,000	165,000	–	35,000	35,000	–	200,000	4,667	195,333
Contractor's Method	120,000	120,000	–	21,141	21,141	–	141,141	1,005	140,136
Contractor's Method	249,963	327,750	77,787	–	–	–	327,750	–	327,750
Depreciated Replacement Cost Method	327,600	327,600	–	33,417	33,417	–	361,017	1,901	359,116
Depreciated Replacement Cost Method	48,400	48,400	–	53,500	53,500	–	101,900	3,057	98,843
Investment and Contractor's method	539,000	539,000	–	56,000	56,000	–	595,000	3,500	591,500
	1,641,808	**1,725,450**	**83,642**	**235,577**	**235,577**	**–**	**1,961,027**	**15,956**	**1,945,071**
Contractor's Method	80,520	80,520	–	24,263	24,263	–	104,783	1,213	103,570
Contractor's Method	64,500	64,500	–	12,113	12,113	–	76,613	606	76,007
Contractor's Method	80,790	80,790	–	13,900	13,900	–	94,690	713	93,977
Cost Approach	154,000	154,000	–	58,234	58,234	–	212,234	3,312	208,922
Contractor's Method	260,600	260,600	–	31,834	31,834	–	292,434	1,587	290,847
Cost Method	244,480	244,480	–	19,876	19,876	–	264,356	3,365	260,991
Contractor's Method	177,440	177,440	–	34,863	34,863	–	212,303	1,722	210,581
Contractor's Method	219,772	281,760	61,988	–	–	–	281,760	–	281,760
Cost and Income Approach	658,463	658,463	–	208,043	208,043	–	866,506	22,451	844,055
Cost Approach	47,500	47,500	–	4,260	4,260	–	51,760	1,217	50,543
Cost Approach	677,300	677,300	–	448,266	448,266	–	1,125,566	24,199	1,101,367
Contractor's Method	360,000	360,000	–	26,870	26,870	–	386,870	2,606	384,264
Cost Approach	63,000	63,000	–	70,777	70,777	–	133,777	3,511	130,266
Contractor's Method	58,000	58,000	–	63,022	63,022	–	121,022	131	120,891
	3,146,365	**3,208,353**	**61,988**	**1,016,321**	**1,016,321**	**–**	**4,224,674**	**66,633**	**4,158,041**

Notes to the Financial Statements

Name of premises	Number of buildings	Land extent (Perches)	Building (Square feet)	Date of valuation	Valuer
Western Province Central					
Bambalapitiya Branch, 20, Galle Road, Colombo 4	1	–	7,776	30.11.2020	S A R Amarasingha
Borella Branch, 71, Danister de Silva Mawatha, Borella	1	49.27	20,173	30.11.2020	W D P Rupananda K D Tissera
City Office, 41, Bristol Street, Colombo 1	1	39.50	31,443	30.11.2020	W D P Rupananda
Dematagoda Land, 400, Danister De Silva Mawatha, Colombo 09	–	38.14	–	30.11.2020	W D P Rupananda
Grand Pass Branch, 703, Sirimavo Bandaranaike Mawatha, Grandpass	1	20.12	6,210	30.11.2020	A G Gunaratna
Wellawatte Branch, 149/2, Galle Road, Colombo 6	1	51.25	15,832	30.11.2020	A G Gunaratna
Holiday Homes and Rests					
Badulla Fernham Bungalow & Property (Land), 153, Spring Valley Road, Badulla	–	222.25	–	31.12.2020	R H Jayawardana
Bandarawela Holiday Home, Bindunuwewa, Bandarawela	1	115.00	3,100	31.12.2020	R H Jayawardana
Dickoya Upper Glencarn Bungalow, Maskeliya Road, Hatton	1	189.65	8,799	31.12.2020	R H Jayawardana
Dickoya lower Glencarn Bungalow (Land), Maskeliya Road, Hatton	–	100.00	–	31.12.2020	R H Jayawardana
Haputale Woodland Bungalow, Woodlands Bungalow, Haputale	1	135.00	3,082	31.12.2020	R H Jayawardana
Jaffna Bank Rest Holiday Home, 34/3, Rasavinthoddam Road, Jaffna	1	269.83	9,605	30.11.2020	K T D Tissera
Kandy Holiday Home, 5/1B, Wimaladharma Mawatha, Dangolla Road, Kandy	1	39.00	3,840	30.11.2020	U Rajapaksha
Lindula Ridge Holiday Home, Tilliocultry, Talawakele	1	175.00	3,072	31.12.2020	R H Jayawardana
Nuwara eliya Holiday Home, 16, Hill Street, Nuwara Eliya	1	35.27	2,715	31.12.2020	R H Jayawardana
Cey Bank Rest Nuwara Eliya (Phase 1), 19, Hill Street, Nuwara Eliya	1	67.54	3,335	31.12.2020	R H Jayawardana
Others					
Colombo 7 - GM's Bangalow, 75, Ananda Kumaraswamy Mawatha, Colombo 7	1	79.80	6,380	30.11.2020	A G Gunaratna
Colombo Darly Road Stores, 497, T B Jayah Mawatha, Colombo 02	1	151.00	26,209	30.11.2020	W D P Rupananda
Colombo World Trade Centre, 08, 8-2/1, Bank of Ceylon Mawatha, Colombo 01	1	–	6,347	30.11.2020	K T D Tissera
BoC Merchant Tower (Formerly Walker's & Sons), 28 St. Michael's Road, Cololmbo 03	–	57.00	–	30.11.2020	K T D Tissera
Grand total					

Basis of valuation	Carrying value of land LKR '000	Revalued/ carrying value of land LKR '000	Revaluation surplus/ (loss) of land LKR '000	Carrying value of building LKR '000	Revalued/ carrying value of building LKR '000	Revaluation surplus/ (loss) of buildings LKR '000	Total value LKR '000	Accumulated depreciation LKR '000	Written down value LKR '000
Depreciated Replacement Cost Method	–	–	–	218,800	218,800	–	218,800	21,880	196,920
Investment & Contractor's Method	513,200	513,200	–	85,825	85,825	–	599,025	4,257	594,768
Investment & Contractor's Method	610,000	610,000	–	77,000	77,000	–	687,000	4,400	682,600
Comparison Method	273,000	273,000	–	–	–	–	273,000	–	273,000
Cost & Income Approach	181,080	181,080	–	24,045	24,045	–	205,125	1,658	203,467
Cost Approach	530,000	530,000	–	48,184	48,184	–	578,184	5,072	573,112
	2,107,280	**2,107,280**	**–**	**453,854**	**453,854**	**–**	**2,561,134**	**37,267**	**2,523,867**
Contractor's Method	22,225	22,225	–	–	–	–	22,225	–	22,225
Contractor's Method	23,000	23,000	–	10,291	10,291	–	33,291	515	32,776
Contractor's Method	12,616	12,616	–	24,430	24,430	–	37,046	2,443	34,603
Contractor's Method	15,000	15,000	–	–	–	–	15,000	–	15,000
Contractor's Method	21,000	21,000	–	7,917	7,917	–	28,917	1,131	27,786
Market Value	121,424	121,424	–	119,445	119,445	–	240,869	3,115	237,754
Contractor's Principles and comparison Method	31,200	31,200	–	15,928	15,928	–	47,128	686	46,442
Contractor's Method	8,750	8,750	–	9,090	9,090	–	17,840	727	17,113
Contractor's Method	85,750	85,750	–	7,126	7,126	–	92,876	475	92,401
Contractor's Method	168,850	168,850	–	18,374	18,374	–	187,224	620	186,604
	509,815	**509,815**	**–**	**212,601**	**212,601**	**–**	**722,416**	**9,712**	**712,704**
Cost approach	1,436,400	1,436,400	–	13,600	13,600	–	1,450,000	1,600	1,448,400
Contractor's Method	1,600,000	1,600,000	–	41,184	41,184	–	1,641,184	7,737	1,633,447
Rental Value Basis	–	–	–	374,900	374,900	–	374,900	18,751	356,149
Comparable Basis	600,000	600,000	–	–	–	–	600,000	–	600,000
	3,636,400	**3,636,400**	**–**	**429,684**	**429,684**	**–**	**4,066,084**	**28,088**	**4,037,996**
	20,004,380	**20,264,953**	**260,573**	**4,790,530**	**4,816,358**	**25,828**	**25,081,311**	**286,454**	**24,794,857**

Notes to the Financial Statements

34.14 Details of revaluation of buildings on leasehold lands held by Bank as at 31 December 2022 are as follows;

Name of premises	Number of buildings	Building (square feet)	Date of valuation	Valuer	Basis of valuation	Carrying value of building LKR '000	Revalued amount of buildings LKR '000	Surplus/ (loss) of buildings LKR '000
Central Province								
Matale Branch and Manager's Quarters	1	14,499	30.09.2022	R H Jayawardane	Contractors method	75,383	189,165	113,782
Ududumbara Branch	1	4,662	30.09.2022	R H Jayawardane	Contractors method	9,966	60,912	50,946
						85,349	**250,077**	**164,728**
Eastern Province								
Ampara Branch and Area Office	1	7,108	30.10.2022	K T D Tissera	Contractors method	2,555	25,000	22,445
Ampara Manager's Quarters	1	5,886	30.10.2022	K T D Tissera	Contractors method	–	20,000	20,000
Ampara Staff Quarters	1	4,496	30.10.2022	K T D Tissera	Contractors method	–	19,500	19,500
Kalmunai Branch and Manager's Quarters	1	8,250	30.10.2022	K T D Tissera	Contractors method	38,663	32,500	(6,163)
Kantale Staff Quarters	1	2,620	30.09.2022	P P T Mohideen	Depreciated Replacement cost method	10,990	16,700	5,710
Kantale Branch and Manager's Quarters	1	4,100	30.09.2022	P P T Mohideen	Depreciated Replacement cost method	14,308	18,625	4,317
EPO and Trincomalee SG	1	27,800	30.10.2022	K T D Tissera	Contractors method	218,531	347,500	128,969
						285,047	**479,825**	**194,778**
Northern Province								
Mannar Branch and Manager's Quarters	1	4,305	30.09.2022	P P T Mohideen	Depreciated Replacement cost method	16,177	22,900	6,723
Vavuniya Branch and Manager's Quarters	1	6,032	30.09.2022	P P T Mohideen	Depreciated Replacement cost method	18,123	24,540	6,417
Vavuniya staff Quarters	1	9,382	30.09.2022	P P T Mohideen	Depreciated Replacement cost method	25,792	33,800	8,008
Vanni Area Office and Quarters	1	9,434	30.09.2022	P P T Mohideen	Depreciated Replacement cost method	21,917	27,540	5,623
Kilinochchi Branch	1	15,975	30.09.2022	P P T Mohideen	Depreciated Replacement cost method	118,513	63,775	(54,738)
Kayts Branch	1	8,325	30.09.2022	P P T Mohideen	Depreciated Replacement cost method	53,610	56,200	2,590
						254,132	**228,755**	**(25,377)**
North Central Province								
Anuradhapura Province Office	1	12,700	30.09.2022	S A R Amarasinghe	Depreciated Replacement cost method	26,026	41,300	15,274
Anuradhapura Branch	1	7,000	30.09.2022	S A R Amarasinghe	Depreciated Replacement cost method	14,068	24,300	10,232
Anuradhapura Staff Quarters	1	825	30.09.2022	S A R Amarasinghe	Depreciated Replacement cost method	2,300	6,700	4,400

Name of premises	Number of buildings	Building (square feet)	Date of valuation	Valuer	Basis of valuation	Carrying value of building LKR '000	Revalued amount of buildings LKR '000	Surplus/ (loss) of buildings LKR '000
Anuradhapura Bachelors Quarters	1	12,035	30.09.2022	S A R Amarasinghe	Depreciated Replacement cost method	30,367	36,500	6,133
Bakamuna Branch	1	3,377	30.09.2022	S A R Amarasinghe	Depreciated Replacement cost method	8,964	14,400	5,436
Dehiattakandiya Branch	1	6,586	30.09.2022	R H Jayawardane	Contractor's method	11,652	82,663	71,011
Galenbindunuwewa Branch	1	5,160	30.09.2022	S A R Amarasinghe	Depreciated Replacement cost method	18,842	20,000	1,158
Galkiriyagama Branch	1	5,580	30.09.2022	P P T Mohideen	Depreciated Replacement cost method	21,840	25,000	3,160
Galnewa Branch and Manager's Quarters	1	5,580	30.09.2022	P P T Mohideen	Depreciated Replacement cost method	19,663	24,900	5,237
Horowpathana Branch	1	5,480	30.09.2020	S A R Amarasinghe	Depreciated Replacement cost method	17,784	26,200	8,416
Ipalogama Branch	1	2,070	30.09.2022	P P T Mohideen	Depreciated Replacement cost method	12,316	12,380	64
Kahatagasdigiliya Branch	1	4,490	30.09.2022	S A R Amarasinghe	Depreciated Replacement cost method	18,824	24,600	5,776
Kekirawa Branch	1	9,010	30.09.2022	P P T Mohideen	Depreciated Replacement cost method	64,111	42,000	(22,111)
Kebithigollewa Branch and Manager's Quarters	1	7,570	30.09.2022	S A R Amarasinghe	Depreciated Replacement cost method	28,095	41,600	13,505
Madatugama Branch	1	5,332	30.09.2022	P P T Mohideen	Depreciated Replacement cost method	18,046	22,950	4,904
Medirigiriya Branch and Staff Quarters	1	8,425	30.09.2022	R H Jayawardane	Contractor's method	28,889	97,140	68,251
Meegallewa Branch and Manager's Quarters	1	5,580	30.09.2022	P P T Mohideen	Depreciated Replacement cost method	18,540	24,820	6,280
Mihintale Branch	1	7,647	30.09.2022	R H Jayawardane	Contractor's method	18,858	81,200	62,342
Nochchiyagama Branch and Staff Quarters	1	5,580	30.09.2022	P P T Mohideen	Depreciated Replacement cost method	20,016	27,000	6,984
Padavi Parakramapura and staff quarters	1	7,017	30.09.2022	R H Jayawardane	Contractor's method	19,794	78,140	58,346
Polonnaruwa New Town Branch	1	10,725	30.09.2022	R H Jayawardane	Contractor's method	34,378	127,944	93,566
Polonnaruwa New Town Staff Quarters	1	6,382	30.09.2022	R H Jayawardane	Contractor's method	9,781	56,156	46,375
Thambuttegama Branch and Staff Quarters	1	5,580	30.09.2022	P P T Mohideen	Depreciated replacement cost method	27,474	30,600	3,126
Thirappane Branch	1	6,435	30.09.2022	S A R Amarasinghe	Depreciated replacement cost method	23,950	38,000	14,050
Welikanda Branch	1	8,340	30.09.2022	R H Jayawardane	Contractor's method	31,941	111,000	79,059
						546,519	**1,117,493**	**570,974**

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Name of premises	Number of buildings	Building (square feet)	Date of valuation	Valuer	Basis of valuation	Carrying value of building LKR '000	Revalued amount of buildings LKR '000	Surplus/ (loss) of buildings LKR '000
North Western Province								
Anamaduwa Branch and Manager's Quarters	1	5,906	30.09.2022	Sumedha Hapugoda	Contractor's Method	25,977	65,000	39,023
Galgamuwa Branch	1	10,440	30.09.2022	Sumedha Hapugoda	Contractor's Method	30,771	59,000	28,229
Nikaweratiya Branch	1	8,370	30.09.2022	Sumedha Hapugoda	Contractor's Method	20,221	47,000	26,779
Kuliyapitiya Branch	1	7,131	30.09.2022	Sumedha Hapugoda	Contractor's Method	–	47,000	47,000
Puttalam Branch and Managers Quarters	1	9,404	30.09.2022	Sumedha Hapugoda	Contractor's Method	12,308	57,000	44,692
Pannala Branch	1	7,131	30.09.2022	Sumedha Hapugoda	Contractor's Method	24,955	45,000	20,045
						114,232	**320,000**	**205,768**
Sabaragamuwa Province								
Balangoda Branch and Manager's quarters	1	7,908	30.09.2022	A G Gunarathne	Cost Approach	53,285	65,853	12,568
Embilipitiya Branch and Manager's Quarters	1	8,432	30.09.2022	A G Gunarathne	Cost Approach	29,665	45,068	15,403
Embilipitiya Staff Quarters	1	4,637	30.09.2022	A G Gunarathne	Cost Approach	5,695	13,160	7,465
Kuruwita Branch	1	6,754	30.09.2022	A G Gunarathne	Cost Approach	14,341	40,390	26,049
Nivithigala Branch	1	6,660	30.09.2022	A G Gunarathne	Cost Approach	5,752	27,200	21,448
Rambukkana Branch	1	5,545	30.09.2022	A G Gunarathne	Cost Approach	20,207	28,300	8,093
						128,945	**219,971**	**91,026**
Southern Province								
Elpitiya Branch	1	6,060	30.09.2022	S A R Amarasinghe	Depreciated Replacement cost	12,224	18,200	5,976
Hambantota Branch and Manager's Quarters., Hambantota Staff Quarters	2	13,260	30.09.2022	S A R Amarasinghe	Depreciated Replacement cost	29,254	44,300	15,046
Hikkaduwa Branch	1	7,050	30.09.2022	S A R Amarasinghe	Depreciated Replacement cost	13,852	20,000	6,148
Kamburupitiya Branch and Manager's Quarters	1	5,850	30.09.2022	S A R Amarasinghe	Depreciated Replacement cost	12,857	22,800	9,943
Kataragama Branch and Manager's Quarters	1	7,240	30.09.2022	S A R Amarasinghe	Depreciated Replacement cost	15,068	25,900	10,832
Koggala Branch	1	6,060	30.09.2022	S A R Amarasinghe	Depreciated Replacement cost	13,852	23,600	9,748
Middeniya Branch	1	7,640	30.09.2022	S A R Amarasinghe	Depreciated Replacement cost	38,238	48,700	10,462
Pitigala Branch	1	2,370	30.09.2022	S A R Amarasinghe	Depreciated Replacement cost	3,943	8,300	4,357
Talgaswela Branch	1	4,600	30.09.2022	S A R Amarasinghe	Depreciated Replacement cost	6,654	10,300	3,646
Tissamaharama Branch	1	7,140	30.09.2022	S A R Amarasinghe	Depreciated Replacement cost	24,774	40,000	15,226
						170,716	**262,100**	**91,384**

Name of premises	Number of buildings	Building (square feet)	Date of valuation	Valuer	Basis of valuation	Carrying value of building LKR '000	Revalued amount of buildings LKR '000	Surplus/ (loss) of buildings LKR '000
Uva Province								
Welimada Branch	1	8,771	30.09.2022	L H Lickson	Contractor's Method	–	46,500	46,500
						–	**46,500**	**46,500**
Western Province North								
Kolonnawa Branch	1	7,269	30.09.2022	R W M S B Rajapaksha	Contractor's Method	42,200	56,000	13,800
						42,200	**56,000**	**13,800**
Western Province South								
Bandaragama Branch	1	9,024	30.09.2022	D P L C Silva	Depreciated Replacement method	44,373	50,842	6,469
						44,373	**50,842**	**6,469**
Others								
Anuradhapura CeyBank Rest	2	49,255	30.09.2022	S A R Amarasinghe	Depreciated Replacement method	268,145	304,000	35,855
Katharagama CeyBank Rest	1	29,760	30.09.2022	S A R Amarasinghe	Depreciated Replacement method	172,461	193,700	21,239
						440,606	**497,700**	**57,094**
Grand Total						**2,112,119**	**3,529,263**	**1,417,144**

35 Right of use assets/leasehold properties

Initial recognition and measurement

Lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments in the Statement of Financial Position.

Lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. Consequently, a lessee recognises amortisation of the right-of-use asset and interest on the lease liability.

Assets and liabilities arising from a lease are initially measured on a present value basis. The initial lease asset equals the lease liability in most cases.

At lease commencement, a lessee accounts for two elements:

(a) Right-of-use asset: Initially, a right-of-use asset is measured in the amount of the lease liability and initial direct costs. Then it is adjusted by the lease payments made before or on commencement date, lease incentives received, and any estimate of dismantling and restoration costs.

(b) Lease liability: The lease liability is in fact all payments not paid at the commencement date discounted to present value using the interest rate implicit in the lease or incremental borrowing rate if the implicit rate cannot be determined. These payments may include fixed payments, variable payments, payments under residual value guarantees, purchase price if purchase option will be exercised.

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Subsequent measurement

After commencement date, lessee needs to adjust both elements recognised initially. Lessee accretes the lease liability to reflect interest and reduce the liability to reflect lease payments made.

Right-of-use asset

Lessee shall measure the right-of-use asset using a cost model under LKAS 16 - "Property, Plant and Equipment" and to depreciate the asset over the lease term on a straight-line basis. The resulted depreciation amount is charged to the Profit or Loss.

Lease liability

Lessee shall recognise an interest on the lease liability and the lease payments are recognised as a reduction of the lease liability. Interest on lease liability is charged to the Profit or Loss.

Lessee shall re-measure the lease liability upon the occurrence of certain events (e.g; change in the lease term, change in variable rents based on an index or rate), which is generally recognised as an adjustment to the right-of-use asset.

Lessee can apply alternative subsequent measurement bases for the right-of-use asset under certain circumstances in accordance with LKAS 16 - "Property, Plant and Equipment", and LKAS 40 – "Investment Property". Right-of-use assets are subject to impairment testing under LKAS 36 – "Impairment of Assets", too.

It is the Bank's policy to consider the period of the rent agreement in calculating the present value of the right-of-use asset.

	Bank		Group	
As at 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Right of use assets/leasehold properties	9,310,524	7,710,364	6,461,627	5,605,695
Less: Accumulated amortisation	6,308,219	4,572,409	3,837,327	2,779,976
Net book value of right of use assets/leasehold properties	3,002,305	3,137,955	2,624,300	2,825,719

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Cost				
Balance as at 1 January	7,710,364	6,211,376	5,605,695	4,441,823
Additions during the year	1,413,734	1,457,891	661,506	1,122,775
Adjustments/transfers	186,426	41,097	194,426	41,097
Balance as at 31 December	9,310,524	7,710,364	6,461,627	5,605,695
Accumulated amortisation				
Balance as at 1 January	4,572,409	3,002,497	2,779,976	1,798,137
Amortisation during the year	1,759,054	1,489,358	990,918	901,285
Adjustments/transfers	(23,244)	80,554	66,433	80,554
Balance as at 31 December	6,308,219	4,572,409	3,837,327	2,779,976
Net book value as at 31 December	3,002,305	3,137,955	2,624,300	2,825,719

Leasehold properties represent the leasehold interest in the lands held for own use. The value of buildings situated in the leasehold land is shown seperately under property, plant and equipment. The interest on leasehold land is stated at cost less accumulated amortisation.

35.1 Lease liability

Carrying amounts of lease liabilities included under "Other liabilities" – (Note 47) and the movement during the year is as follows:

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Balance as at 1 January	2,962,878	3,145,009	2,233,145	1,993,416
Additions	1,413,734	1,432,829	520,207	1,065,148
Accretion of interest	358,362	422,289	328,936	321,640
Payments	(2,462,165)	(2,063,068)	(1,558,956)	(1,172,878)
Adjustments/transfers	134,380	25,819	305,304	25,819
Balance as at 31 December	2,407,189	2,962,878	1,828,636	2,233,145

35.1.1 Maturity analysis of lease liability

	Bank		Group	
As at 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Less than 1 year	646,877	1,126,640	686,801	849,158
1 to 5 years	420,980	1,007,120	321,073	759,074
More than 5 years	1,339,332	829,118	820,762	624,913
Total lease liability	2,407,189	2,962,878	1,828,636	2,233,145

35.2 Sensitivity factors used to calculate right of use asset/lease liability

	Sensitivity	Sensitivity effect on right of use asset LKR '000	Sensitivity effect on lease liability LKR '000	Sensitivity effect on profit before tax LKR '000
Incremental borrowing rate	+1%	(62,788)	(54,749)	3,150
	-1%	66,351	57,226	(2,994)
Lease Term	Increased by 1 year	2,459,681	2,621,125	6,830

36 Intangible assets

Accounting policy

Basis of recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost.

Intangible assets represent the value of computer application software and licenses, other than software applied to the operating software system of computers.

Measurement

Intangible assets acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure incurred on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Notes to the Financial Statements

Amortisation and impairment

Amortisation is recognised in the Statement of Profit or Loss on a straight line basis over the estimated useful lives of the intangible assets, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of intangible assets is five years or the best estimate of its useful economic life whichever is lower. The intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognised as expenses in the Statement of Profit or Loss to the extent that they are no longer probable of being recovered from the expected future benefits. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Derecognition

Intangible assets are derecognised when it reveals that they will not generate economic benefits or circumstances indicate that the carrying value is impaired.

Gains or losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in Statement of Profit or Loss.

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Cost				
Balance as at 1 January	4,499,109	4,027,760	5,147,815	4,660,802
Additions during the year	1,027,211	471,365	1,027,390	471,365
Disposals	–	(16)	–	(16)
Exchange rate adjustment	–	–	122,851	15,664
Adjustments/transfers	–	–	–	–
Balance as at 31 December	5,526,320	4,499,109	6,298,056	5,147,815
Accumulated amortisation				
Balance as at 1 January	3,533,170	3,050,251	4,007,270	3,475,577
Amortisation during the year	632,885	482,935	795,627	518,867
Disposals	–	(16)	–	(16)
Exchange rate adjustment	–	–	(16,017)	12,842
Balance as at 31 December	4,166,055	3,533,170	4,786,880	4,007,270
Computer software under development	82,168	74,046	82,168	74,046
Net book value as at 31 December	1,442,433	1,039,985	1,593,344	1,214,591

36.1 Fully amortised intangible assets

The initial cost of fully amortised intangible assets which are still in use are as follows;

	Bank		Group	
As at 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Computer software	3,027,433	2,084,744	3,087,982	2,192,822
Total fully amortised intangible assets	3,027,433	2,084,744	3,087,982	2,192,822

37 Deferred tax (assets)/liabilities

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- The initial recognition of goodwill
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- Differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The following table shows deferred tax recorded in the Statement of Financial Position and (charge)/reversal recorded in the "Income tax expense" – (Note 18.2).

37.1 Bank

As at 31 December	2022				2021			
	Deferred tax assets LKR '000	Deferred tax liabilities LKR '000	Statement of profit or loss LKR '000	Other comprehensive income/equity LKR '000	Deferred tax assets LKR '000	Deferred tax liabilities LKR '000	Statement of profit or loss LKR '000	Other comprehensive income/equity LKR '000
Retirement benefits	2,350,240	–	(401,392)	1,464,274	1,287,358	–	300,760	(2,024,826)
Revaluation of property, plant and equipment	(7,278,369)	–	(5,272)	(1,859,253)	(5,413,844)	–	2,879	979,181
Investment in financial instruments	(1,016,163)	–	–	(726,486)	(289,677)	–	–	361,867
Temporary difference of provision for impairment	21,444,578	–	14,259,491	–	7,185,087	–	2,466,153	–
Other temporary differences	77,180	–	693,392	–	(616,212)	–	990,160	–
Total	15,577,466	–	14,546,219	(1,121,465)	2,152,712	–	3,759,952	(683,778)

Notes to the Financial Statements

37.2 Group

As at 31 December	2022				2021			
	Deferred tax assets LKR '000	Deferred tax liabilities LKR '000	Statement of profit or loss LKR '000	Other comprehensive income/equity LKR '000	Deferred tax assets LKR '000	Deferred tax liabilities LKR '000	Statement of profit or loss LKR '000	Other comprehensive income/equity LKR '000
Retirement benefits	2,350,241	95,091	(350,615)	1,421,714	1,287,358	86,874	307,175	(2,040,425)
Revaluation of property, plant and equipment	(7,278,369)	(2,332,459)	169,893	(2,422,494)	(5,413,844)	(1,944,383)	170,536	1,144,315
Investment in financial instruments	(1,016,162)	–	–	(726,485)	(289,677)	–	–	361,867
Temporary difference of provision for impairment	21,444,578	(50,322)	14,207,758	–	7,185,087	1,411	2,345,268	–
Other temporary differences	98,253	(406,531)	544,010	–	(555,077)	(297,211)	1,000,726	–
Total	15,598,541	(2,694,221)	14,571,046	(1,727,265)	2,213,847	(2,153,309)	3,823,705	(534,243)

38 Other assets

Pre paid staff cost

Staff loans are initially recognised at fair value according to Sri Lanka Accounting Standard SLFRS 9 – "Financial Instruments". The difference between granted amount and its fair value is treated as pre paid staff cost and amortised over the loan period.

Gold stock in hand

The gold inventory is valued at lower of cost or net realisable value. Cost includes all cost of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

Employee benefit assets

Employee benefit assets represents net retirement benefit assets of Bank of Ceylon Pension Fund – 2014 and Bank of Ceylon widows'/widowers' and orphans' pension. For more details refer Note 48 – "Employee Retirment Benefit Plans".

As at 31 December	Notes	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Consumable stock in hand		927,014	754,191	1,023,662	794,572
Prepaid staff cost		19,419,943	16,867,864	19,419,943	16,867,864
Cheques in transit – Local		2,467,486	1,185,645	2,467,486	1,185,645
Cheques in transit – Foreign		7,974	4,001	7,974	4,001
Tax recoverable	45	–	–	17,312	–
Gold bullion and coins in hand		237,624	71,033	237,624	71,033
Net employee benefit asset	48	20,526,202	17,270,991	20,526,202	17,270,991
Other		52,863,741	25,734,861	53,576,395	27,068,200
Total other assets		96,449,984	61,888,586	97,276,598	63,262,306

39 Due to banks

Accounting policy

Due to banks represents credit balances in Nostro Accounts and short-term borrowings from banks. These are initially recognised at fair value. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any transaction costs that are an integral part of the EIR. The EIR amortisation is included in "Interest Expenses" – (Note 8.2) in the Statement of Profit or Loss.

	Bank		Group	
As at 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Deposits from other banks	1,626,196	2,077,897	1,626,197	2,077,897
Bank overdrafts	9,888,701	15,858,173	9,921,517	16,568,442
Total due to banks	11,514,897	17,936,070	11,547,714	18,646,339

40 Securities sold under repurchase agreements

Accounting policy

Securities sold under repurchase agreements at a specified future date are not derecognised from the Statement of Financial Position as the Group retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the Statement of Financial Position as an asset with a corresponding obligation to return it, including accrued interest as a liability within "Other borrowings" (Note 43), reflect the transaction's economic substance as a borrowing to the Group. The difference between the sale and repurchase prices is treated as interest expense and is amortised over the life of agreement using EIR.

	Bank		Group	
As at 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
With banks	134,550,201	104,006,820	134,270,402	103,518,742
With customers	45,668,342	58,149,593	45,668,342	58,149,593
Total securities sold under repurchase agreements	180,218,543	162,156,413	179,938,744	161,668,335

41 Derivative financial instruments

Accounting policy

Derivative financial instruments include contracts which are entered by the Bank that are not designated as hedging instruments in hedge relationships as per the Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments".

Derivatives are recorded at fair value and carried as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in "Net gains/(losses) from trading" (Note 10) in Statement of Profit or Loss.

	Bank		Group	
As at 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Foreign currency derivatives				
Forward exchange contracts	585,333	17,297	585,333	17,297
Currency SWAPs	335,700	363,031	335,700	363,031
Total derivative financial instruments	921,033	380,328	921,033	380,328

Notes to the Financial Statements

42 Financial liabilities at amortised cost – due to depositors

Accounting policy

Financial liabilities at amortised cost – due to depositors include non-interest-bearing deposits, savings deposits, term deposits, deposits payable at call and certificate of deposits, which are initially recognised at fair value. Subsequent to initial recognition, deposits are measured at their amortised cost using the Effective Interest Rate (EIR) method, except where the Group designates liabilities at fair value through profit or loss. The EIR amortisation is included in "Interest Expenses" (Note 8.2) in the Statement of Profit or Loss.

42.1 By product

	Bank		Group	
As at 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Local currency deposits				
Demand deposits	174,674,605	177,165,938	174,245,474	176,742,512
Savings deposits	558,213,697	680,053,160	558,984,668	680,964,033
Time deposits	1,558,730,483	1,388,690,770	1,576,815,334	1,405,966,371
Other deposits	4,785,426	7,824,661	4,785,426	7,832,191
Total local currency deposits	2,296,404,211	2,253,734,529	2,314,830,902	2,271,505,107
Foreign currency deposits				
Demand deposits	56,168,342	34,897,193	57,356,149	35,562,840
Savings deposits	189,799,490	130,077,505	190,755,490	130,843,659
Time deposits	786,788,397	446,734,788	789,642,062	446,875,493
Other deposits	5,613,821	1,449,995	5,613,821	1,449,995
Total foreign currency deposits	1,038,370,050	613,159,481	1,043,367,522	614,731,987
Total deposits	3,334,774,261	2,866,894,010	3,358,198,424	2,886,237,094

42.2 By currency

	Bank		Group	
As at 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Sri Lankan Rupee (LKR)	2,296,404,211	2,253,734,529	2,314,830,902	2,271,505,107
United States Dollar (USD)	914,129,417	533,281,802	914,141,915	533,290,823
Great Britain Pound (GBP)	58,144,433	37,483,358	63,096,794	39,038,355
Maldivian Rufiyaa (MVR)	18,382,271	10,312,812	18,382,271	10,312,812
Seychellois Rupee (SCR)	2,611,922	1,618,658	2,611,922	1,618,658
Euro (EUR)	18,344,077	10,924,104	18,362,504	10,932,592
Australian Dollar (AUD)	12,679,056	8,704,561	12,679,056	8,704,561
Indian Rupee (INR)	10,282,833	5,746,469	10,282,833	5,746,469
Other	3,796,041	5,087,717	3,810,227	5,087,717
Total deposits	3,334,774,261	2,866,894,010	3,358,198,424	2,886,237,094

Note:
The maturity analysis of deposits is given in Note 60.

43 Financial liabilities at amortised cost – other borrowings

Accounting policy

Financial liabilities at amortised cost – other borrowings represent Standing Lending Facility, Term borrowings from banks in abroad and Sri Lanka, term borrowings from other financial institutions in Sri Lanka and refinance borrowings which are initially recognised at fair value. Subsequent to initial recognition, these borrowings are measured at their amortised cost, using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in "Interest Expenses" (Note 8.2) in the Statement of Profit or Loss.

	Bank		Group	
As at 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Standing lending facility	294,055,219	251,974,541	294,055,219	251,974,541
Call borrowings from banks and other financial institutions in Sri Lanka	–	32,405,282	628,373	35,543,284
Term borrowings from banks abroad	83,925,643	117,752,893	89,670,712	118,423,817
Term borrowings from banks and other financial institutions in Sri Lanka	2,617,349	21,346,016	2,837,947	21,304,115
Refinance borrowings	9,891,332	20,629,245	9,891,332	20,629,245
Total other borrowings	390,489,543	444,107,977	397,083,583	447,875,002

44 Debt securities issued

Accounting policy

Debt securities issued represent funds borrowed for long-term funding purposes where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. Debt securities are initially recognised at fair value. Subsequent to initial recognition these are measured at their amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in "Interest Expenses" (Note 8.2) in the Statement of Profit or Loss.

		Bank		Group	
As at 31 December	Note	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Senior debentures	44.1	–	–	58,807	2,107,182
Total debt securities issued		–	–	58,807	2,107,182

Note:
The maturity analysis of debt securities issued is given in Note 60.

44.1 Senior debentures

	Bank		Group	
As at 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Listed debentures				
Unsecured, redeemable debentures of LKR 100 each	–	–	58,807	2,107,182
Total debt securities issued	–	–	58,807	2,107,182

Notes to the Financial Statements

44.2 Movement in senior debentures

As at 31 December	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Balance as at 1 January	–	–	2,107,182	2,107,493
Issued during the year	–	–	67,700	–
Redemptions	–	–	(2,107,182)	–
Amortisation adjustments	–	–	(8,893)	(311)
Balance as at 31 December	–	–	58,807	2,107,182

44.3 Senior debentures

Amount as at 31 December	Notes	Interest payable frequency	Issue date	Maturity date	Coupon rate 2022 %	Coupon rate 2021 %	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Fixed interest rate										
Unsecured, redeemable debentures	(a)	Annually	12.05.2017	03.05.2022	–	15.00	–	–	–	884,668
Unsecured, redeemable debentures	(a)	Semi annually	12.05.2017	03.05.2022	–	14.50	–	–	–	1,221,480
Unsecured, redeemable debentures	(a)	Semi annually	12.05.2017	03.05.2022	–	13.89	–	–	–	1,034
Unsecured, redeemable debentures	(a)	Annually	16.11.2022	15.11.2027	24.00	–	–	–	24,472	–
Unsecured, redeemable debentures	(a)	Semi annually	16.11.2022	15.11.2027	23.50	–	–	–	23,255	–
Unsecured, redeemable debentures	(a)	Quarterly	16.11.2022	15.11.2027	29.50	–	–	–	11,080	–
Total debt securities issued							–	–	58,807	2,107,182

Notes:

(a) Debentures that are listed in Colombo Stock Exchange.

45 Current tax liabilities/(assets)

As at 31 December	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Balance as at 1 January	647,993	591,723	978,532	764,871
Current tax expense	13,550,460	9,359,362	13,774,530	9,777,364
Payments during the year	(5,500,380)	(8,166,811)	(5,796,331)	(8,399,520)
Double tax relief and tax credit	(2,133,684)	(1,213,722)	(1,961,485)	(1,213,722)
Adjustments	(40,946)	77,441	(141,537)	49,539
Closing balance at 31 December	6,523,443	647,993	6,853,709	978,532
Current tax assets	–	–	–	–
Current tax liabilities	6,523,443	647,993	6,853,709	978,532
Current tax liabilities/(assets)	6,523,443	647,993	6,853,709	978,532

46 Insurance contract liabilities

Accounting policy

Life insurance contract liabilities

These liabilities are measured by using the gross premium valuation method as prescribed by the Regulation of Insurance Industry Act. No 43 of 2000. The liability is determined as the discounted value of the expected contractual cash outflows less the discounted value of the expected premiums. Valuation assumptions are derived based on the best estimate experience with a prescribed risk margin to allow for adverse deviations.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using a liability adequacy test.

Liability Adequacy Test (LAT)

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4 - "Insurance Contracts". The liability value is adjusted to the extent that it is adequate to meet future benefits and expenses.

Any deficiency is recognised in the Statement of Profit or Loss by setting up a provision for liability adequacy.

Non-life insurance contract liabilities

Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

Notes to the Financial Statements

Liability Adequacy Test (LAT)

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income. At each reporting date the company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums.

This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of comprehensive income by setting up a provision for liability adequacy.

46.1 Insurance provision – Life

	Group	
As at 31 December	2022 LKR '000	2021 LKR '000
Balance as at 1 January	413,743	498,767
Increase/(decrease) in life fund	(105,016)	(61,633)
Fair value reserve	6,814	2,800
Unclaimed benefits	39,649	(26,191)
Balance as at 31 December	355,190	413,743

46.2 Insurance provision – Non-life

	Group	
As at 31 December	2022 LKR '000	2021 LKR '000
Provision for reported claims by policy holders	363,604	312,934
Provision for claims on Incurred But Not Reported (IBNR)	44,414	44,312
Outstanding claims provision	408,018	357,246
Provision for unearned premiums	254,755	168,771
Total insurance provision – Non-life	662,773	526,017

47 Other liabilities

		Bank		Group	
As at 31 December	Note	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Cheques sent on clearing		2,948,898	342,110	2,948,898	342,110
Lease creditors					
Within 12 months		646,877	1,126,640	686,801	849,158
Later than 12 months		1,760,312	1,836,238	1,141,835	1,383,987
Net employee benefit liabilities	48	28,360,338	22,634,982	28,716,772	23,031,277
Other		60,359,225	20,102,395	62,930,924	21,854,595
Total other liabilities		94,075,650	46,042,365	96,425,230	47,461,127

48 Employee retirement benefit plans

Accounting policy

The Bank has the pension schemes established under an industrial award which are solely funded by the Bank. There are Widows'/ Widowers' and Orphans' Pension schemes established by the members.

The assets of these three plans are held independently of the Bank's assets and administered by Boards of Trustees/Managers, representing the management and the employees, as provided in the Trust Deed/Rules of the respective funds.

These funds are subject to annual audits independent to the audit of the Bank, by a firm/s of Chartered Accountants appointed by the members and actuarial valuations are carried out as per the rules governing these funds.

		Bank		Group	
As at 31 December	Note	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Net employee benefit liabilities					
Bank of Ceylon Pension Trust Fund	48.1.3	26,738,169	21,502,584	26,738,169	21,502,584
Provision for terminal gratuity	48.3	667,703	486,334	1,024,137	882,629
Provision for encashment of medical leave	48.5	954,466	646,064	954,466	646,064
Total net employee benefit liabilities		28,360,338	22,634,982	28,716,772	23,031,277
Net employee benefit assets					
Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund	48.2.3	10,060,347	11,752,560	10,060,347	11,752,560
Bank of Ceylon Pension Fund – 2014	48.4.3	10,465,855	5,518,431	10,465,855	5,518,431
Total net employee benefit assets		20,526,202	17,270,991	20,526,202	17,270,991

48.1 Bank of Ceylon Pension Trust Fund

The "Bank of Ceylon Pension Trust Fund" is a funded, non contributory, defined retirement benefit plan, operated for the payment of pensions until death of the permanent employees who have completed a minimum of ten years of continuous service with the Bank, at their retirement on reaching the retirement age on or after 55 years or on medical grounds, before reaching retirement age. The pension is computed as a percentage of the last drawn salary excluding certain allowances.

Contributions to the Pension Trust Fund are made monthly, based on the advice of a qualified actuary, currently at 56.8% of gross salary. The Fund is valued by a qualified actuary annually. This fund has been approved by the Government and administrated independently.

An actuarial valuation of the Pension Trust Fund as at 31 December 2022 was carried out by Messrs Actuarial & Management Consultant (Pvt) Limited.

The valuation has been done using the "Projected Unit Credit Method", which is recommended in the Sri Lanka Accounting Standard – LKAS 19 "Employee Benefits". The benefit is available to all permanent employees who have joined the Bank prior to 1 January 1996. The results of the actuarial valuation of the Pension Trust Fund is summarised as follows:

Notes to the Financial Statements

48.1.1 Net benefit expense (recognised under personnel expenses)

For the year ended 31 December	Bank/Group 2022 LKR '000	Bank/Group 2021 LKR '000
Current service cost	148,893	153,764
Net interest expenses	2,365,284	1,848,004
Net benefit expense	2,514,177	2,001,768

48.1.2 Amount recognised in other comprehensive income

For the year ended 31 December	Bank/Group 2022 LKR '000	Bank/Group 2021 LKR '000
Actuarial (gains)/losses on the defined benefit obligation	859,487	(4,506,689)
Actuarial (gains)/losses on plan assets	3,098,205	1,463,388
Net actuarial (gains)/losses recognised in other comprehensive income	3,957,692	(3,043,301)

48.1.3 Net retirement benefit liability

As at 31 December	Note	Bank/Group 2022 LKR '000	Bank/Group 2021 LKR '000
Fair value of plan assets	48.1.4	44,663,506	50,384,696
Defined benefit obligation	48.1.5	71,401,675	71,887,280
Net retirement benefit liability		26,738,169	21,502,584

48.1.4 Changes in fair value of plan assets

	Bank/Group 2022 LKR '000	Bank/Group 2021 LKR '000
Balance as at 1 January	50,384,696	54,332,752
Expected return	5,542,316	4,292,288
Contribution by employer	1,236,285	848,345
Benefits paid	(9,401,586)	(7,625,301)
Actuarial gains/(losses) on plan assets	(3,098,205)	(1,463,388)
Balance as at 31 December	44,663,506	50,384,696

48.1.5 Changes in the present value of the defined benefit obligation

	Bank/Group	
	2022 LKR '000	2021 LKR '000
Balance as at 1 January	71,887,280	77,725,213
Interest cost	7,907,601	6,140,292
Current service cost	148,893	153,764
Benefits paid	(9,401,586)	(7,625,300)
(Gains)/losses due to change in assumptions	(22,346,040)	(7,807,176)
Actuarial (gains)/losses on obligation	23,205,527	3,300,487
Balance as at 31 December	71,401,675	71,887,280

The present value of the defined benefit obligation as of the valuation date with respect to active employees and pensioners are LKR 3,552.9 million and LKR 67,848.8 million respectively.

48.1.6 Plan assets consist of the following:

	Bank/Group	
As at 31 December	2022 LKR '000	2021 LKR '000
Fixed deposits	33,880,775	29,774,699
Treasury bonds	3,119,344	3,258,899
Debentures	4,131,592	12,627,203
Investment in shares	2,630,160	4,142,440
Others	901,635	581,455
Total plan assets	44,663,506	50,384,696

48.1.7 Actuarial assumptions

	Bank/Group	
As at 31 December	2022 %	2021 %
Future salary increment rate	15.00 p.a	6.50 p.a
Increase in future Cost of Living Allowance (COLA)	8.00 p.a	5.00 p.a
Increase in pension in payment (basic)	1.75 p.a	1.75 p.a
Discount rate	18.00 p.a	11.00 p.a
Attrition rate	Nil	Nil

The Bank uses IALM (2006-2008) Ultimate Mortality Table issued by the Institute of Actuaries of India.

Notes to the Financial Statements

Increase/decrease in the following assumptions will change the present value of defined benefit obligation as illustrated below:

	Bank/Group	
	0.5% increase LKR '000	0.5% decrease LKR '000
Discount rate	69,591,283	73,305,572
Salary increment	71,436,799	71,367,193
Cost of living allowance	72,916,733	69,959,302

Further, the remaining years of benefit payments are expected to be 6.1 years.

The following payments are expected from the Pension Trust Fund in future years.

	Bank/Group	
As at 31 December	2022 LKR '000	2021 LKR '000
Within the next 12 months	9,657,728	7,339,857
Between 1 and 5 years	33,257,597	28,844,165
Between 5 and 10 years	16,610,499	17,822,480
Beyond 10 years	11,875,851	17,880,778
Total expected payments	71,401,675	71,887,280

48.2 Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund

The Bank is liable for and guarantees the payments to the beneficiaries of the "Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund" to which the Bank's employees who joined the Bank before 1 January 1996, monthly contribute 8% of their gross salary. The Bank's liability towards the beneficiaries of the employees arises when an employee who has contributed to the fund for five continuous years dies while in service or on the death of a pensioner where the Bank will be liable to pay Widows' and Orphans' Pension to his/her beneficiaries monthly. The pension to the beneficiaries of an employee who dies while in service is based on the last drawn salary excluding certain allowances.

An actuarial valuation of the Widows'/Widowers' and Orphans' Pension Fund as at 31 December 2022 was carried out by Messrs Actuarial & Management Consultant (Pvt) Limited. Funding would be done in consultation with the Actuary, trustees and beneficiaries.

This fund has been approved by the Government and administered independently.

The valuation has been done using the "Projected Unit Credit Method", which is recommended in the Sri Lanka Accounting Standard – LKAS 19 "Employee Benefits". The results of the actuarial valuation of the Widows'/Widowers' and Orphans' Pension Fund is summarised as follows:

48.2.1 Net benefit expense (recognised under personnel expenses)

	Bank/Group	
For the year ended 31 December	2022 LKR '000	2021 LKR '000
Current service cost	8,285	7,656
Net interest income	(1,328,039)	(818,006)
Net benefit expense/(income)	(1,319,754)	(810,350)

48.2.2 Amount recognised in other comprehensive income

For the year ended 31 December	Bank/Group 2022 LKR '000	Bank/Group 2021 LKR '000
Actuarial (gains)/losses on the defined benefit obligation	2,443,015	(2,014,946)
Actuarial (gains)/losses on plan assets	629,318	1,046,724
Actuarial (gains)/losses on actuarial valuation	3,072,333	(968,222)

48.2.3 Retirement benefit assets

As at 31 December	Note	Bank/Group 2022 LKR '000	Bank/Group 2021 LKR '000
Fair value of plan assets	48.2.4	29,011,391	28,076,481
Defined benefit obligation	48.2.5	(18,951,044)	(16,323,921)
Retirement benefit assets		10,060,347	11,752,560

48.2.4 Changes in fair value of plan assets

	Bank/Group 2022 LKR '000	Bank/Group 2021 LKR '000
Balance as at 1 January	28,076,481	27,898,687
Expected return	3,172,642	2,301,642
Contribution paid in to plan	60,366	58,759
Benefits paid	(1,668,780)	(1,135,883)
Actuarial gains/(losses) on plan asset	(629,318)	(1,046,724)
Balance as at 31 December	29,011,391	28,076,481

48.2.5 Changes in the present value of the defined benefit obligation

	Bank/Group 2022 LKR '000	Bank/Group 2021 LKR '000
Balance as at 1 January	16,323,921	17,983,458
Interest cost	1,844,603	1,483,636
Current service cost	8,285	7,656
Benefits paid	(1,668,780)	(1,135,883)
Actuarial (gains)/losses on obligation	8,900,020	1,102,467
(Gain)/losses due to change in assumptions	(6,457,005)	(3,117,413)
Balance as at 31 December	18,951,044	16,323,921

The present value of the defined benefit obligation as of the valuation date with respect to active employees, pensioners and family pensioners who are receiving benefits are LKR 143.2 million, LKR 4,948.8 million and LKR 13,859.0 million respectively.

Notes to the Financial Statements

48.2.6 Plan assets consist of the following:

As at 31 December	Bank/Group 2022 LKR '000	Bank/Group 2021 LKR '000
Fixed deposits	26,822,116	25,894,936
Treasury bonds	–	–
Debentures	2,187,743	2,179,788
Others	1,532	1,757
Total plan assets	29,011,391	28,076,481

48.2.7 Actuarial assumptions

As at 31 December	Bank/Group 2022 %	Bank/Group 2021 %
Future salary increment rate	15.00 p.a	6.50 p.a
Increase in future Cost of Living Allowance (COLA)	8.00 p.a	5.00 p.a
Increase in Widows'/Widowers' and Orphans' Pension in payment (basic)	Nil	Nil
Discount rate	18.00 p.a	11.30 p.a
Attrition rate	Nil	Nil

The Bank uses IALM (2006-2008) Ultimate Mortality Table issued by the Institute of Actuaries of India.

Increase/decrease in the following assumptions will have an impact on the present value of defined benefit obligation as illustrated below:

	Bank/Group 0.5% increase LKR '000	Bank/Group 0.5% decrease LKR '000
Discount rate	18,339,377	19,601,188
Salary increment	18,951,730	18,950,369
Cost of living allowance	19,585,356	18,353,579

Further, the remaining years of benefit payments are expected to be 7.8 years.

The following payments are expected from the fund in future years.

As at 31 December	Bank/Group 2022 LKR '000	Bank/Group 2021 LKR '000
Within the next 12 months	1,943,567	1,193,313
Between 1 and 5 years	7,441,936	5,161,084
Between 5 and 10 years	4,576,467	3,897,462
Beyond 10 years	4,989,074	6,072,062
Total expected payments	18,951,044	16,323,921

48.3 Provision for terminal gratuity

In compliance with the Payment of Gratuity Act No 12 of 1983 provision is made in the accounts from the first year of service for gratuity payable to employees who have not completed ten years of service as they are not in pensionable service of the Bank. Provision has not been made in the Financial Statements for retirement gratuity for the employees who are eligible for the retirement benefits under the pension schemes in force. However, employees whose services are terminated after five years other than by retirement are eligible to receive a terminal gratuity under the Payment of Gratuity Act No. 12 of 1983, at the rate of one half of the basic or consolidated wage or salary, cost of living and all other allowances applicable to the last month of the financial year, for each year of continuous service.

In terms of Sri Lanka Accounting Standard LKAS 19 – "Employee Benefits", the Bank and its subsidiaries have calculated the post-employment benefit obligations, based on the actuarial valuation method recommended in the standard. The gratuity liabilities are not externally funded.

An actuarial valuation of the Gratuity Fund as at 31 December 2022 was carried out by Messrs Actuarial and Management Consultant (Pvt) Limited.

The valuation has been done using the "Projected Unit Credit Method", which is recommended in the Sri Lanka Accounting Standard – LKAS 19 "Employee Benefits".

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Balance as at 1 January	486,334	479,163	882,629	923,904
Provision charge/(reversal) during the year	105,253	80,769	180,221	136,445
Actuarial (gains)/losses	136,580	(53,095)	(47,995)	(118,090)
Payments made during the year	(60,464)	(20,503)	(74,417)	(27,358)
Adjustment/transfers	–	–	83,699	(32,272)
Balance as at 31 December	667,703	486,334	1,024,137	882,629

The principal actuarial assumptions used in the valuation were as follows:

	Bank/Group	
As at 31 December	2022 %	2021 %
Future salary increment rate	15.00p.a	6.50 p.a
Increase in future Cost of Living Allowance (COLA)	8.00 p.a	5.00 p.a
Discount rate	18.00 p.a	11.30 p.a

The Bank uses IALM (2006-2008) Ultimate Mortality Table issued by the Institute of Actuaries of India. Further, the remaining years of benefit payments are expected to be 11.0 years.

Increase/decrease in the following assumptions will change the present value of defined benefit obligation as illustrated below:

	Bank		Group	
	0.5% increase LKR '000	0.5% decrease LKR '000	0.5% increase LKR '000	0.5% decrease LKR '000
Discount rate	637,650	699,972	803,485	882,015
Salary increment	694,304	642,830	874,873	810,012
Cost of living allowance	676,057	659,859	851,881	831,470

Notes to the Financial Statements

48.4 Bank of Ceylon Pension Fund – 2014

Under the directions of the Ministry of Finance and Planning, this pension scheme was approved by the Board of Directors of the Bank with effect from 16 December 2014 for the employees recruited to the Bank on or after 1 January 1996. Minimum period of 120 months uninterrupted active service in the Bank at the time of retirement is required to be eligible for any retirement benefit under this pension scheme. Further, the beneficiaries under this pension scheme will not be entitled for rights and privileges under the current service gratuity scheme of the Bank except death gratuity payment. Contribution to this pension scheme is made monthly, based on the advice of a qualified actuary, currently at 12% of gross salary.

An actuarial valuation of this fund as at 31 December 2022 was carried out by Messrs Actuarial & Management Consultant (Pvt) Limited.

The valuation has been done using the "Projected Unit Credit Method", which is recommended in the Sri Lanka Accounting Standard-LKAS 19 "Employee Benefits". The results of the actuarial valuation of this Pension Fund is summarised as follows:

48.4.1 Net benefit expense (recognised under personnel expenses)

	Bank/Group	
For the year ended 31 December	2022 LKR '000	2021 LKR '000
Current service cost	717,701	574,227
Past service cost	–	1,303,760
Net interest income	(634,620)	(289,246)
Net benefit expense	83,081	1,588,741

48.4.2 Amount recognised in other comprehensive income

	Bank/Group	
For the year ended 31 December	2022 LKR '000	2021 LKR '000
Actuarial (gains)/losses on the defined benefit obligation	(4,224,874)	(2,987,761)
Actuarial (gains)/losses on plan assets	712,909	531,552
Net actuarial (gains)/losses recognised in other comprehensive income	(3,511,965)	(2,456,209)

48.4.3 Retirement benefit assets

	Bank/Group	
As at 31 December	2022 LKR '000	2021 LKR '000
Fair value of plan assets	14,667,395	12,512,509
Defined benefit obligation	(4,201,540)	(6,994,078)
Net retirement benefit assets	10,465,855	5,518,431

48.4.4 Changes in fair value of plan assets

As at 31 December	Bank/Group 2022 LKR '000	2021 LKR '000
Balance as at 1 January	12,512,509	10,940,840
Expected return	1,438,939	929,971
Contribution by employer	1,518,540	1,248,070
Benefits paid	(89,684)	(74,820)
Actuarial gains/(losses) on plan asset	(712,909)	(531,552)
Balance as at 31 December	14,667,395	12,512,509

48.4.5 Changes in the present value of the defined benefit obligation

As at 31 December	Bank/Group 2022 LKR '000	2021 LKR '000
Balance as at 1 January	6,994,078	7,537,947
Interest cost	804,319	640,725
Past service cost	–	1,303,760
Current service cost	717,701	574,227
Benefits paid	(89,684)	(74,820)
Actuarial (gains)/losses on obligation	945,849	308,880
(Gains)/losses due to change in assumptions	(5,170,723)	(3,296,641)
Balance as at 31 December	4,201,540	6,994,078

The present value of the defined benefit obligation as of the valuation date with respect to active employees and pensioners are LKR 4,129.5 million and LKR 72.1 million respectively.

48.4.6 Plan assets consist of the following

As at 31 December	Bank/Group 2022 LKR '000	2021 LKR '000
Fixed deposits	13,739,827	10,120,432
Debentures	916,136	2,390,696
Others	11,432	1,381
Total plan assets	14,667,395	12,512,509

Notes to the Financial Statements

48.4.7 Actuarial assumptions

As at 31 December	Bank/Group 2022 %	2021 %
Future salary increment rate	15.00 p.a	6.50 p.a
Increase in future Cost of Living Allowance (COLA)	8.00 p.a	5.00 p.a
Increase in pension in payment (Basic)	Nil	Nil
Discount rate	18.00 p.a	11.50 p.a
Attrition rate	Nil	Nil

* For the purpose of the valuation the Bank has assumed increment rate of 15% per annum for basic salary. However, according to the rates of the pension scheme, all future increment rates are capped at 8% for basic salary.

The Bank uses IALM (2006-08) Ultimate Mortality Table issued by the Institute of Actuaries of India.

Increase/decrease in the following assumptions will have an impact on the present value of defined benefit obligation as illustrated below:

	Bank/Group 0.5% increase LKR '000	0.5% decrease LKR '000
Discount rate	3,512,526	4,800,236
Salary increment	4,700,236	3,200,125
Cost of living allowance	4,801,256	3,625,932

Further, the remaining years of benefit payments are expected to be 17.2 years.

The following payments are expected from the Pension Fund in future years.

As at 31 December	Bank/Group 2022 LKR '000	2021 LKR '000
Within the next 12 months	50,618	36,840
Between 1 and 5 years	520,751	373,982
Between 5 and 10 years	727,835	749,255
Beyond 10 years	2,902,336	5,834,001
Total expected payments	4,201,540	6,994,078

48.5 Provision for encashment of medical leave

	Bank/Group 2022 LKR '000	2021 LKR '000
Balance as at 1 January	646,064	803,217
Provision charge/(reversal) during the year	73,005	66,265
Actuarial (gain)/losses	250,942	(189,774)
Payments made during the year	(15,545)	(33,644)
Balance as at 31 December	954,466	646,064

The principal actuarial assumptions used in the valuation were as follows:

As at 31 December	Bank/Group 2022 %	2021 %
Future salary increment rate	15.00 p.a	6.50 p.a
Increase in future Cost of Living Allowance (COLA)	8.00 p.a	5.00 p.a
Discount rate	18.00 p.a	11.30 p.a

The Bank uses IALM (2006-2008) Ultimate Mortality Table issued by the Institute of Actuaries of India. Further, the remaining year of benefit payments are expected to be 16.8 years.

49 Subordinated liabilities

Accounting policy

Subordinated liabilities include funds borrowed for long term funding purposes which are subordinated to other claims. These are initially recognised at fair value. Subsequent to initial recognition, subordinated liabilities are measured at their amortised cost, using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in "Interest Expenses" (Note 8.2) in the Statement of Profit or Loss.

As at 31 December	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Listed debentures				
Unsecured, subordinated, redeemable debentures of LKR 100 each	5,038,776	8,014,827	5,038,775	8,014,827
Unlisted debentures				
Unsecured, subordinated, redeemable debentures of LKR 100 each (private placement)	39,169,530	37,546,648	39,169,530	37,546,648
Additional Tier I capital bond				
Unsecured, subordinated, perpetual capital bonds of LKR 100 each (private placement)	19,549,885	18,797,380	19,290,294	18,544,495
Total subordinated term debts	63,758,191	64,358,855	63,498,599	64,105,970

49.1 The Movement in subordinated liabilities

As at 31 December	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Balance as at 1 January	64,358,855	64,637,407	64,105,970	64,627,397
Issued during the year	6,490,000	8,750,000	6,490,000	8,500,000
Redemptions during the year	(8,103,950)	(9,232,254)	(8,103,950)	(9,222,244)
Amortisation adjustments	1,013,286	203,702	1,006,579	200,817
Balance as at 31 December	63,758,191	64,358,855	63,498,599	64,105,970

Notes to the Financial Statements

49.2 Type of debentures

	Notes	Interest payable frequency	Issue date	Maturity date	Coupon rate 2022 %	Coupon rate 2021 %	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Fixed interest rate										
Listed, unsecured, subordinated, redeemable debentures	(a)	Annually	25.10.2013	24.10.2022	–	13.25	–	1,227,205	–	1,227,205
Listed, unsecured, subordinated, redeemable debentures	(a)	Annually	25.10.2013	24.10.2023	13.75	13.75	1,637,668	1,637,573	1,637,668	1,637,573
Listed, unsecured, subordinated, redeemable debentures	(a)	Annually	22.09.2014	21.09.2022	–	8.25	–	1,873,393	–	1,873,393
Listed, unsecured, subordinated, redeemable debentures	(a)	Annually	06.10.2015	05.10.2023	9.50	9.50	1,205,521	1,205,286	1,205,521	1,205,286
Listed, unsecured, subordinated, redeemable debentures	(a)	Annually	29.12.2016	28.12.2024	12.75	12.75	784	784	784	784
Unlisted, unsecured, subordinated, redeemable debentures		Annually	29.12.2017	28.12.2022	–	12.50	–	5,003,321	–	5,003,321
Unlisted, unsecured, subordinated, redeemable debentures		Annually	29.12.2017	28.12.2025	12.75	12.75	5,004,820	5,003,300	5,004,820	5,003,300
Unlisted, unsecured, subordinated, redeemable debentures		Annually	31.07.2018	30.07.2026	12.00	12.00	7,027,089	7,026,897	7,027,089	7,026,897
Unlisted, unsecured, subordinated, redeemable debentures		Annually	03.12.2018	02.12.2023	12.00	12.00	5,347,618	5,347,308	5,347,618	5,347,308
Unlisted, unsecured, subordinated, redeemable debentures		Annually	27.06.2019	26.06.2024	11.75	11.75	3,176,634	3,176,646	3,176,634	3,176,646
Unlisted, unsecured, subordinated, redeemable debentures		Annually	17.07.2019	16.07.2024	11.80	11.80	1,104,092	1,104,096	1,104,092	1,104,096
Unlisted, unsecured, subordinated, redeemable debentures		Annually	18.07.2019	17.07.2024	11.80	11.80	2,315,164	2,315,172	2,315,164	2,315,172
Unlisted, unsecured, subordinated, redeemable debentures		Annually	23.07.2019	22.07.2024	11.80	11.80	2,626,346	2,626,523	2,626,346	2,626,523
Unlisted, unsecured, subordinated, redeemable debentures		Annually	24.07.2019	23.07.2024	11.50	11.50	419,670	419,672	419,670	419,672
Unlisted, unsecured, subordinated, redeemable debentures		Annually	26.07.2019	25.07.2027	11.75	11.75	64,174	64,176	64,174	64,176
Unlisted, unsecured, subordinated, redeemable debentures		Annually	30.12.2022	29.12.2027	29.00	–	6,494,529	–	6,494,529	–
							36,424,109	38,031,352	36,424,109	38,031,352

	Notes	Interest payable frequency	Issue date	Maturity date	Coupon rate 2022 %	Coupon rate 2021 %	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Floating interest rate										
Listed, unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 50 basis points]	(a)/(b)	Semi annually	22.09.2014	21.09.2022	–	6.45	–	31	–	31
Listed, unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 125 basis points]	(a)/(b)	Semi annually	06.10.2015	05.10.2023	31.84	6.35	2,194,782	2,070,535	2,194,782	2,070,535
Listed, unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 125 basis points]	(a)/(b)	Semi annually	29.12.2016	28.12.2024	33.51	6.42	20	20	20	20
Unlisted, unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 250 basis points with a floor rate of 9.0%]	(b)	Semi annually	22.11.2021	22.11.2026	35.01	10.53	5,589,394	5,459,537	5,589,394	5,459,537
Total floating interest rate subordinated debentures							7,784,196	7,530,123	7,784,196	7,530,123
Additional Tier I capital bond										
Unlisted, unsecured, subordinated, perpetual capital bond [12 months TB (net) rate plus 150 basis points with a floor rate of 9.5%]		Annually	06.07.2020	N/A	25.34	9.50	5,583,891	5,226,898	5,583,891	5,226,898
Unlisted, unsecured, subordinated, perpetual capital bond [weighted average 12 months TB (net) rate plus 150 basis points with a Floor rate of 9.00%]		Annually	01.12.2020	N/A	30.96	9.00	10,224,787	10,076,290	10,224,787	10,076,290
Unlisted, unsecured, subordinated, perpetual capital bond [weighted average 12 months TB (net) rate plus 150 basis points with a Floor rate of 9%]		Annually	06.07.2021	N/A	25.34	9.00	3,741,208	3,494,192	3,481,616	3,241,307
Total Additional Tier I capital bonds							19,549,886	18,797,380	19,290,294	18,544,495
Total subordinated debentures							63,758,191	64,358,855	63,498,599	64,105,970

Notes:

(a) Debentures that are listed in the Colombo Stock Exchange.

(b) Weighted average 6 months Treasury Bill interest rate at the primary quotations as announced by the Central Bank of Sri Lanka, at the preceding week of the interest resetting date.

Notes to the Financial Statements

50 Share capital

50.1 Ordinary shares

As at 31 December	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Authorised				
50,000,000 ordinary shares	50,000,000	50,000,000	50,000,000	50,000,000
Issued and fully paid				
Balance as at 1 January [25,000,000 odinary shares]	25,000,000	25,000,000	25,000,000	25,000,000
Share issued during the year	–	–	–	–
Balance as at 31 December [25,000,000 ordinary shares]	25,000,000	25,000,000	25,000,000	25,000,000
Assigned capital*				
Capital infusion during the year	730,000	–	730,000	–
Balance as at 31 December	25,730,000	25,000,000	25,730,000	25,000,000

Assigned capital

* Bank received LKR 730.0 million as investment made by the Government of Sri Lanka in the Bank during the year and reported under capital pending allotment as of 31 December 2022.

50.2 Net assets value per share

As at 31 December	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Amount used as the numerator				
Total equity attributable to equity holder of the Bank (LKR '000)	254,184,143	200,759,832	271,473,567	213,807,332
Number of ordinary shares used as denominator				
Total number of ordinary shares issued	25,000,000	25,000,000	25,000,000	25,000,000
Net asset value per ordinary share (LKR)	10,167.37	8,030.39	10,858.94	8,552.29

51 Permanent reserve fund

	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Balance as at 1 January	14,491,000	13,739,000	14,491,000	13,739,000
Transfers during the year	640,000	752,000	640,000	752,000
Balance as at 31 December	15,131,000	14,491,000	15,131,000	14,491,000

The permanent reserve fund is maintained as required by Bank of Ceylon Ordinance (Chapter 397) whereby the Bank must, out of net profit after taxation, but before any dividend is declared, transfer to a reserve, a sum equivalent to not less than 20% of such profit, until the reserve is equivalent to 50% of the issued and paid-up capital and thereafter, an appropriate amount determined at 2% per annum in terms of section 20(1) and (2) of the Banking Act No. 30 of 1988 until the reserve is equal to the paid-up capital.

In order to meet the requirement, an amount of LKR 640.0 million was transferred to the permanent reserve during the year 2022. (2021 – LKR 752.0 million).

The balance in the permanent reserve fund will be used only for the purposes specified in the Section 20 (2) of the Banking Act No. 30 of 1988.

52 Retained earnings

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Balance as at 1 January	136,739,177	96,983,948	138,104,222	97,463,266
Total comprehensive income for the year	29,591,465	42,334,641	29,597,605	43,283,958
Transfers to other reserves	(640,000)	(752,000)	(640,000)	(752,000)
Transfers from other reserves	10,548	–	10,548	–
Surcharge tax*	(6,738,542)	–	(7,042,422)	–
Disposal of subsidiaries	–	–	–	(64,923)
Reversal of unclaimed dividend	–	–	1,427	1,333
Revaluation surplus of disposed property	–	18,998	–	18,998
Change of non controlling interest	–	–	134,511	–
Dividend	(346,410)	(1,846,410)	(346,410)	(1,846,410)
Balance as at 31 December	158,616,238	136,739,177	159,819,481	138,104,222

Surcharge tax

* As per the Surcharge Tax Act No.14 of 2022, Surcharge Tax is one-time tax at the rate of 25% imposed on companies if the aggregate taxable income of all subsidiaries and holding company exceeds LKR 2,000 million for the year of assessment 2020/2021. Accordingly, the Bank paid Surcharge Tax of LKR 6,738.5 million (Group – LKR 7,044.2 million) on the taxable income of the year of assessment 2020/2021, and has been recognised to the retained earnings as at 1 January 2022 in the Statement of Changes in Equity.

53 Cash flow hedge reserve

The Bank has entered in to ten USD/LKR funding SWAPs with the Central Bank of Sri Lanka (CBSL) amounting to USD 90 million against the borrowing from foreign Bank during the months of April and June 2021 in order to mitigate the foreign exchange risk and volatility to the profit and loss arising from the USD borrowing. This SWAP agreement has been accounted as per the Hedge Accounting after the testing of Hedge Effectiveness.

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Balance as at 1 January	3,239,266	–	3,239,266	–
Net gains/(losses) on cash flow hedge instruments	22,381,369	3,239,266	22,381,369	3,239,266
Balance as at 31 December	25,620,635	3,239,266	25,620,635	3,239,266

Notes to the Financial Statements

54 Other reserves

As at 31 December	Note	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Revaluation reserve	54.1	17,315,482	17,356,542	27,558,103	26,302,644
Free reserve	54.2	169,067	169,067	366,644	366,644
Exchange translation reserve	54.3	10,740,397	3,176,353	14,304,404	4,461,200
Fair value through OCI reserve	54.4	861,324	588,427	2,584,356	1,483,412
Statutory reserve – other	54.5	–	–	358,944	358,944
Total other reserves		29,086,270	21,290,389	45,172,451	32,972,844

54.1 Revaluation Reserve

	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Revaluation Reserve				
Balance as at 1 January	17,356,542	16,681,190	26,302,644	24,853,005
Change in revaluation surplus/(deficit)	1,818,193	(284,831)	3,695,662	345,441
Deferred tax effect including the effect of rate change on the opening balance	(1,859,253)	979,181	(2,422,494)	1,144,315
Revaluation surplus of disposed property	–	(18,998)	–	(18,998)
Transferred to non-controlling interest	–	–	(17,709)	(21,119)
Balance as at 31 December	17,315,482	17,356,542	27,558,103	26,302,644

The revaluation reserve represents the surpluses arising on the revaluation of freehold lands and buildings and buildings on leasehold lands as at the date of revaluation.

According to the Basel III regulatory directives, issued by the Central Bank of Sri Lanka, the Bank can consider the revaluation surplus as supplimentary capital in computing capital adequacy ratio, once in every three years.

54.2 Free reserve

	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Balance as at 1 January	169,067	169,067	366,644	366,644
Balance as at 31 December	169,067	169,067	366,644	366,644

54.3 Exchange translation reserve

	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Balance as at 1 January	3,176,353	2,381,822	4,461,200	3,335,020
Exchange differences on translation of foreign operations	7,564,044	794,531	9,843,204	1,126,180
Balance as at 31 December	10,740,397	3,176,353	14,304,404	4,461,200

This represents the exchange differences arising from translating investments made in the capital and net exchange movement arising on the translation of net equity of Bank of Ceylon (UK) Limited and foreign branches and also exchange differences arising from translation of the results of foreign branches for this year from the average rate to the exchange rate ruling at the year end.

54.4 Fair value through OCI reserve

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Balance as at 1 January	588,427	1,704,356	1,483,412	2,573,148
Net gains/(losses) on investments in debt instruments measured at FVTOCI	1,328,890	(1,246,474)	1,312,732	(1,256,480)
Net (gains)/losses on investments in financial assets at FVTOCI reclassification to profit or loss	(5,631)	(44,002)	(5,631)	(44,002)
Deferred tax effect including the effect of rate change on the opening balance	(140,185)	321,430	(140,185)	321,430
Change in fair value on investments in equity instruments designated at FVTOCI	(313,328)	(187,320)	547,780	(155,320)
Deferred tax effect including the effect of rate change on the opening balance	(586,301)	40,437	(586,301)	40,437
Transfers to other reserve	(10,548)	–	–	–
Transferred to non-controlling interest	–	–	(27,451)	4,199
Balance as at 31 December	861,324	588,427	2,584,356	1,483,412

54.5 Statutory reserve – other

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Balance as at 1 January	–	–	358,944	358,944
Balance as at 31 December	–	–	358,944	358,944

55 Non–controlling interest

	Group	
As at 31 December	2022 LKR '000	2021 LKR '000
Property Development Limited	117,640	394,037
Merchant Bank of Sri Lanka and Finance PLC	632,109	722,295
MBSL Insurance Company Limited	307,232	473,127
Hotels Colombo (1963) Limited	(14)	(13)
Total non-controlling interest	1,056,967	1,589,446

Notes to the Financial Statements

56 Notes to the statement of cash flows

56.1 Change in operating assets

For the year ended 31 December	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Change in deposits with regulatory authorities	3,627,252	(40,769,929)	3,627,252	(40,769,929)
Change in loans and advances to customers	(284,936,169)	(470,075,352)	(282,735,630)	(472,586,900)
Net (increase)/decrease of financial assets measured at fair value through profit or loss	(995,720)	2,297,870	(1,078,270)	2,924,527
Net (increase)/decrease in securities purchased under resale agreements and placements with Banks	(10,907,815)	22,585,007	(10,956,000)	23,417,248
Net (increase)/decrease in derivative financial instruments	(52,812,955)	(3,793,605)	(52,812,955)	(3,793,605)
Change in other operating assets	(46,632,822)	(5,952,879)	(45,897,858)	(6,345,269)
Total	(392,658,229)	(495,708,888)	(389,853,461)	(497,153,928)

56.2 Change in operating liabilities

For the year ended 31 December	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Net Increase/(decrease) in deposits from banks	(451,701)	114,268	(451,701)	114,268
Net Increase/(decrease) in deposits from customers	408,649,429	396,376,559	412,730,508	397,384,841
Net increase/(decrease) in securities sold under repurchase agreements	18,062,130	105,049,761	18,270,409	103,970,555
Net increase/(decrease) in short term borrowings	3,322,897	18,090,022	3,022,842	17,797,929
Net increase/(decrease) in derivative financial instruments	540,705	278,146	540,705	278,146
Change in other operating liabilities	79,957,246	15,429,193	82,933,004	16,404,284
Total	510,080,706	535,337,949	517,045,767	535,950,023

56.3 Other non-cash items included in profit before tax

For the year ended 31 December	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Gains/(losses) on revaluation of foreign exchange	15,450,104	(4,529,610)	15,450,104	(4,529,610)
Contribution paid to defined benefit plans	2,048,765	2,927,193	2,229,393	2,991,611
Impairment charges	87,155,696	43,733,731	87,294,905	43,661,965
Depreciation of investment property	-	119,478	2,906	6,666
Depreciation of property, plant and equipment	1,894,960	2,054,485	2,717,917	2,812,815
Amortisation of intangible assets and leasehold properties	2,391,939	1,972,293	1,786,545	1,420,152
Accrual for expenses and other non cash items	(3,750,951)	73,818	(3,750,064)	22,045
Total	105,190,513	46,351,388	105,731,706	46,385,644

57 Contingent liabilities and commitments

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

In the normal course of business, the Bank undertakes commitments and incurs contingent liabilities with legal recourse to its customers to accommodate the financial and investment needs of clients, to conduct trading activities and to manage its own exposure to risk. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans. Operating lease commitments of the Bank (as a lessor and as a lessee) and pending legal claims against the Bank also form part of commitments of the Bank.

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote. These financial instruments generate interest or fees and carries elements of credit risk in excess of those amounts recognised as assets and liabilities in the Statement of Financial Position. However, no material losses are anticipated as a result of these transactions.

These commitments and contingencies are quantified below:

		Bank		Group	
As at 31 December	Note	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Contingent liabilities	57.1	647,175,115	698,181,700	648,450,696	716,295,509
Undrawn and undisbursed facilities	57.2	677,788,996	164,240,074	677,789,012	164,356,319
Capital commitments	57.3	13,733,168	12,481,176	13,769,157	12,550,785
Lease commitments	57.4.3	6,202,490	4,453,525	6,911,191	4,568,883
Total contingent liabilities and commitments		1,344,899,769	879,356,475	1,346,920,056	897,771,496

57.1 Contingent liabilities

		Bank		Group	
As at 31 December	Note	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Acceptances and documentary credit		157,948,135	274,415,072	158,455,999	274,922,936
Bills for collection		64,815,618	29,141,466	64,815,618	29,141,466
Forward exchange contracts		199,453,327	126,597,458	199,453,327	126,597,458
Guarantees		167,974,583	157,348,930	168,133,083	157,507,429
Other commitments	57.1.1	56,983,452	110,678,774	57,592,669	128,126,220
Total contingent liabilities		647,175,115	698,181,700	648,450,696	716,295,509

Notes to the Financial Statements

57.1.1 Other commitments

As at 31 December	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Sale commitment of securities for secondary market	–	–	–	–
Purchase commitment of securities for secondary market	–	–	–	–
Purchase commitment of securities for primary market	–	–	–	–
Forward exchange contract with financial institutions	170,721	126,407	170,721	126,407
Currency swaps	56,812,731	110,552,367	56,812,731	127,390,596
Other commitments	–	–	609,217	609,217
Total other commitments	56,983,452	110,678,774	57,592,669	128,126,220

57.2 Undrawn and undisbursed facilities

The unutilised value of irrevocable commitments, which cannot be withdrawn at the discretion of the Bank, without risk of incurring significant penalties or expenses are as follows:

As at 31 December	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Undisbursed amount of loans	63,053,702	78,782,172	63,053,718	78,782,185
Undrawn limits of overdrafts	129,604,869	62,093,293	129,604,869	62,209,524
Undrawn limits of credit cards	13,062,690	10,795,829	13,062,690	10,795,829
Undrawn limits of letters of credit	127,511,260	6,757,030	127,511,260	6,757,030
Undrawn limits of letters of guarantee	344,556,475	5,811,750	344,556,475	5,811,751
Total undrawn and undisbursed facilities	677,788,996	164,240,074	677,789,012	164,356,319

57.3 Capital commitments

Capital expenditure approved by the Directors, for which, no provision has been made in the Financial Statements, amounts to;

57.3.1 Capital commitments in relation to property, plant and equipment

As at 31 December	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Approved and contracted for	2,607,283	3,998,733	2,640,280	4,059,060
Approved but not contracted for	8,819,943	6,507,422	10,069,943	6,512,004
Total capital commitments in relation to property plant and equipment	11,427,226	10,506,155	12,710,223	10,571,064

57.3.2 Capital commitments in relation to intangible assets

As at 31 December	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Approved and contracted for	1,055,942	655,021	1,056,199	656,521
Approved and not contracted for	1,250,000	1,320,000	2,735	1,323,200
Total capital commitments in relation to intangible assets	1,055,942	1,975,021	1,058,934	1,979,721
Total capital commitments	13,733,168	12,481,176	13,769,157	12,550,785

57.4 Lease commitments

57.4.1 Operating lease commitments

Future minimum lease payments under non-cancellable operating leases, where the Bank is the lessee, are as follows:

As at 31 December	Bank 2022 LKR '000	Bank 2021 LKR '000	Group 2022 LKR '000	Group 2021 LKR '000
Not later than 1 year	1,671,640	1,191,858	1,883,558	1,208,027
Later than 1 year and not later than 5 years	3,289,387	1,884,049	3,753,412	1,975,817
Later than 5 years	1,241,463	1,377,618	1,273,156	1,384,194
Total operating lease commitments	6,202,490	4,453,525	6,910,126	4,568,038

Note:

With the implementation of SLFRS 16 - "Leases" effect from 1 January 2019, the operating lease commitments recognised as lease liability and reported under Other Liabilities (Note 47).

57.4.2 Finance lease commitments

Future minimum lease payments under non-cancellable finance leases, where the Bank is the lessee, are as follows:

As at 31 December	Bank **2022 LKR '000**	Bank 2021 LKR '000	Group **2022 LKR '000**	Group 2021 LKR '000
Not later than 1 year	–	–	1,065	845
Later than 1 year and not later than 5 years	–	–	–	–
Total finance lease commitments	–	–	1,065	845

57.4.3 Total lease commitments

As at 31 December	Bank **2022 LKR '000**	Bank 2021 LKR '000	Group **2022 LKR '000**	Group 2021 LKR '000
Operating lease commitments	6,202,490	4,453,525	6,910,126	4,568,038
Financing lease commitments	–	–	1,065	845
	6,202,490	4,453,525	6,911,191	4,568,883

Notes to the Financial Statements

57.5 Litigation

Litigations are anticipated in the context of business operations due to the nature of the transactions involved. The Bank and the Group's companies are involved in various such legal actions and the controls have been established to deal with such legal claims. There are pending litigations existing as at the end of the reporting period against the Bank, resulting through normal business operations.

As of 31 December 2022, claims for the legal actions against the Bank approximately amount to LKR 6,647.6 million (2021 – LKR 16,515.0 million), nevertheless the Bank has no impact over such claims whatsoever affecting to the business, operations or image of the Bank.

58 Assets pledged as security

The securities sold under repurchase agreement by the Bank and the Group and details of assets pledged by the Bank and the Group, to secure those liabilities are given below:

	Bank		Group	
As at 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Borrowings				
Securities sold under repurchase agreements	180,218,543	162,156,413	179,938,744	161,668,335
	180,218,543	162,156,413	179,938,744	161,668,335
Secured by;				
Treasury bills	–	–	–	–
Treasury bonds	183,322,972	169,050,380	183,322,972	168,541,552
Total assets pledged as securities	183,322,972	169,050,380	183,322,972	168,541,552

59 Events after the reporting date

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date the Financial Statements are authorised for issue.

There are no events occurring after the reporting date which require adjustments to or disclosure in the Financial Statements.

60 Maturity analysis of assets and liabilities

60.1 The analysis of total assets and liabilities of the Bank and the Group into relevant maturity groupings based on the remaining period as at 31 December 2022 in to the contractual maturity date, is given in the table below:

	Bank			Group		
As at 31 December 2022	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000
Assets						
Cash and cash equivalents	128,401,532	–	128,401,532	135,230,827	–	135,230,827
Balances with Central Banks	70,494,529	–	70,494,529	70,494,529	–	70,494,529
Placements with banks	16,459,303	–	16,459,303	17,811,665	–	17,811,665
Securities purchased under resale agreements	1,480,403	–	1,480,403	1,463,368	–	1,463,368
Derivative financial instruments	2,354,301	54,801,185	57,155,486	2,357,346	54,798,140	57,155,486
Financial assets measured at fair value through profit or loss	5,796,380	4,483,675	10,280,055	6,090,227	4,545,963	10,636,190
Financial assets measured at amortised cost - loans and advances	1,079,069,554	1,246,524,775	2,325,594,329	1,089,077,981	1,266,900,352	2,355,978,333
Financial assets measured at amortised cost - debt instruments	444,213,035	1,111,684,272	1,555,897,307	520,032,061	1,042,341,618	1,562,373,679
Financial assets measured at fair value through OCI	2,368,652	6,322,150	8,690,802	2,368,651	8,381,393	10,750,044
Investment in subsidiary companies	–	8,181,138	8,181,138	–	–	–
Investment in associate companies	–	92,988	92,988	–	684,536	684,536
Investment properties	–	2,414,640	2,414,640	–	104,798	104,798
Property, plant and equipment	–	34,845,004	34,845,004	–	50,992,323	50,992,323
Right of use assets/leasehold properties	894,848	2,107,457	3,002,305	194,821	2,429,479	2,624,300
Intangible assets	–	1,442,433	1,442,433	–	1,593,344	1,593,344
Deferred tax assets	–	15,577,466	15,577,466	–	15,598,541	15,598,541
Other assets	75,923,782	20,526,202	96,449,984	76,490,325	20,786,273	97,276,598
Total assets	1,827,456,319	2,509,003,385	4,336,459,704	1,921,611,801	2,469,156,760	4,390,768,561
Percentage (%)	42.1%	57.9%	100.0%	43.8%	56.2%	100.0%

Notes to the Financial Statements

	Bank			Group		
As at 31 December 2022	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000
Liabilities						
Due to banks	11,514,897	–	11,514,897	11,547,714	–	11,547,714
Securities sold under repurchase agreements	180,218,543	–	180,218,543	179,938,744	–	179,938,744
Derivative financial instruments	921,033	–	921,033	921,033	–	921,033
Financial liabilities at amortised cost – due to depositors	3,086,759,489	248,014,772	3,334,774,261	3,098,350,368	259,848,056	3,358,198,424
Financial liabilities at amortised cost – other borrowings	332,292,621	58,196,922	390,489,543	334,881,382	62,202,201	397,083,583
Debt securities issued	–	–	–	–	58,807	58,807
Current tax liabilities	6,523,443	–	6,523,443	6,853,709	–	6,853,709
Deferred tax liabilities	–	–	–	–	2,694,221	2,694,221
Insurance provision – Life	–	–	–	–	355,190	355,190
Insurance provision – Non-life	–	–	–	–	662,773	662,773
Other liabilities	63,955,000	30,120,650	94,075,650	65,892,546	30,532,684	96,425,230
Subordinated liabilities	10,385,589	53,372,602	63,758,191	10,375,997	53,122,602	63,498,599
Equity	–	254,184,143	254,184,143	–	272,530,534	272,530,534
Total liabilities and equity	3,692,570,615	643,889,089	4,336,459,704	3,708,761,493	682,007,068	4,390,768,561
Percentage (%)	85.2%	14.8%	100.0%	84.5%	15.5%	100.0%
Net gap	(1,975,607,934)	1,975,607,934	–	(1,787,149,692)	1,787,149,692	–

The analysis of total assets and liabilities of the Bank and the Group into relevant maturity groupings based on the remaining period as at 31 December 2021 into the contractual maturity date is given in the table below.

	Bank			Group		
As at 31 December 2021	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000
Assets						
Cash and cash equivalents	82,647,406	–	82,647,406	82,313,908	–	82,313,908
Balances with Central Banks	74,121,781	–	74,121,781	74,121,781	–	74,121,781
Placements with banks	4,957,417	–	4,957,417	5,342,369	–	5,342,369
Securities purchased under resale agreements	2,074,474	–	2,074,474	2,976,664	–	2,976,664
Derivative financial instruments	4,342,531	–	4,342,531	4,342,531	–	4,342,531
Financial assets measured at fair value through profit or loss	5,060,254	4,169,768	9,230,022	5,457,377	4,183,436	9,640,813
Financial assets measured at amortised cost - loans and advances	1,170,342,892	1,243,419,399	2,413,762,291	1,182,818,324	1,263,512,005	2,446,330,329
Financial assets measured at amortised cost - debt instruments	237,438,393	844,741,483	1,082,179,876	237,561,404	845,276,258	1,082,837,662
Financial assets measured at fair value through OCI	2,076,130	16,226,426	18,302,556	4,819,037	18,060,773	22,879,810
Investment in subsidiary companies	–	8,181,138	8,181,138	–	–	–
Investment in associate companies	–	92,988	92,988	–	595,531	595,531
Investment properties	–	2,414,640	2,414,640	–	107,704	107,704
Property, plant and equipment	–	32,757,485	32,757,485	–	46,944,191	46,944,191
Right of use assets/leasehold properties	–	3,137,955	3,137,955	–	2,825,719	2,825,719
Intangible assets	–	1,039,985	1,039,985	–	1,214,591	1,214,591
Deferred tax assets	–	2,152,712	2,152,712	–	2,213,847	2,213,847
Other assets	29,452,642	32,435,944	61,888,586	30,498,630	32,763,676	63,262,306
Total assets	1,612,513,920	2,190,769,923	3,803,283,843	1,630,252,025	2,217,697,731	3,847,949,756
Percentage (%)	42.4%	57.6%	100.0%	42.4%	57.6%	100.0%

Notes to the Financial Statements

As at 31 December 2021	Bank			Group		
	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000
Liabilities						
Due to banks	17,936,070	–	17,936,070	18,646,339	–	18,646,339
Securities sold under repurchase agreements	162,156,413	–	162,156,413	161,668,335	–	161,668,335
Derivative financial instruments	380,328	–	380,328	380,328	–	380,328
Financial liabilities at amortised cost – due to depositors	2,789,073,317	77,820,693	2,866,894,010	2,803,243,073	82,994,021	2,886,237,094
Financial liabilities at amortised cost – other borrowings	397,947,404	46,160,573	444,107,977	401,229,613	46,645,389	447,875,002
Debt securities issued	–	–	–	–	2,107,182	2,107,182
Current tax liabilities	647,993	–	647,993	978,532	–	978,532
Deferred tax liabilities	–	–	–	–	2,153,309	2,153,309
Insurance provision - Life	–	–	–	–	413,743	413,743
Insurance provision – Non-life	–	–	–	–	526,017	526,017
Other liabilities	23,834,644	22,207,721	46,042,365	23,831,718	23,629,409	47,461,127
Subordinated liabilities	8,103,950	56,254,905	64,358,855	8,103,950	56,002,020	64,105,970
Equity	3,827,693	196,932,139	200,759,832	4,722,678	210,674,100	215,396,778
Total liabilities and equity	3,403,907,812	399,376,031	3,803,283,843	3,422,804,566	425,145,190	3,847,949,756
Percentage (%)	89.5%	10.5%	100.0%	89.0%	11.0%	100.0%
Net gap	(1,791,393,892)	1,791,393,892	–	(1,792,552,541)	1,792,552,541	–

61 Related Party Disclosures

The Bank has entered into transactions with the parties who are defined as related parties in Sri Lanka Accounting Standard LKAS 24 – "Related Party Disclosures". i.e. significant investors, Subsidiary and Associate companies, post employment benefit plans for the Bank's employees, Key Management Personnel (KMP), Close Family Members (CFMs) of KMP and other related entities. Those transactions include lending activities, acceptance and placements, off-balance sheet transactions and provision of other banking and financial services that are carried out in the ordinary course of business on an arm's length basis at commercial rates, except for the transactions that KMP have availed under schemes uniformly applicable to all the staff at concessionary rates.

61.1 Parent and the ultimate controlling party

Bank of Ceylon is a Government owned bank.

61.2 Key Management Personnel (KMP) and their Close Family Members (CFMs)

61.2.1 Compensation to Key Management Personnel (KMP) and their Close Family Members (CFMs)

As per the Sri Lanka Accounting Standard LKAS 24 - "Related Party Disclosures", the KMP include those who are having authority and responsibility for planning, directing and controlling the activities of the Bank. Accordingly, the Board of Directors and selected key members of the Corporate Management are identified as KMP who meet the above criteria.

CFMs are defined as family members who may be expected to influence or be influenced by, that KMP in their dealings with the entity, i.e. spouse, children under 18 years of age and dependants of KMP. Dependant is defined as anyone who depends on the respective KMP for more than 50% of his or her financial needs.

Compensation to KMP of the Bank

	Bank		Group	
For the year ended 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Short-term employment benefits	28,022	19,593	28,640	20,538
Post employment benefits	7,694	4,469	7,694	4,469
Total	35,716	24,062	36,334	25,007

In addition to the above, the Bank/Group has also provided non cash benefits to the KMP in line with the approved benefit plans of the Bank/Group.

61.2.2 Transactions, Arrangements and Agreements Involving Key Management Personnel (KMP) and their Close Family Members (CFMs)

(a) Items in Statement of Profit or Loss

	KMP and CFMs	
For the year ended 31 December	2022 LKR '000	2021 LKR '000
Interest income	219	479
Interest expenses	7,442	5,762
Compensation to KMP	35,716	24,062

(b) Items in Statement of Financial Position

	KMP and CFMs	
As at 31 December	2022 LKR '000	2021 LKR '000
Assets		
Loans	3,275	7,184
	3,275	7,184
Liabilities		
Due to depositors	117,663	114,058
	117,663	114,058

Notes to the Financial Statements

(c) Off Balance Sheet items

As at 31 December	KMP and CFMs 2022 LKR '000	2021 LKR '000
Undrawn facilities	759	769
	759	769

(d) Average Accommodations/Due to Depositors Balances

For the year ended 31 December	2022 LKR '000	2021 LKR '000
Loans	5,229	7,830
Overdrafts	–	21
Due to depositors	115,861	70,427

61.3 Transactions with Group Related Parties

The Group related parties include the Subsidiaries and Associates of the Bank.

61.3.1 Transactions with Subsidiaries and Associate Companies of the Bank

The aggregate amount of income and expenses arising from the transactions during the year and amount due to and due from the relevant related parties and total contract sum of off balance sheet transactions at the year end are summarised below:

(a) Items in Statement of Profit or Loss

For the year ended 31 December	Subsidiary Companies 2022 LKR '000	2021 LKR '000	Associate Companies 2022 LKR '000	2021 LKR '000
Interest income	862,419	123,701	119,006	16,466
Interest expenses	456,319	90,761	87,323	19,127
Other income	104,980	455,201	14,637	56,480
Other expenses	1,512,585	1,121,724	1,170	8,665
Dividend income	93,930	334,857	13,500	55,398

(b) Items in Statement of Financial Position

As at 31 December	Subsidiary Companies 2022 LKR '000	Subsidiary Companies 2021 LKR '000	Associate Companies 2022 LKR '000	Associate Companies 2021 LKR '000
Assets				
Loans	1,872,673	632,447	595,678	381,573
Overdrafts	191,645	196,918	19,708	85,502
Placements	30,326,587	6,557,968	–	–
Other receivables	1,694,655	864,811	–	–
	34,085,560	8,252,144	615,386	467,075
Liabilities				
Due to depositors	5,291,872	4,439,061	227,053	235,436
Securities sold under repurchase agreements	182,830	574,096	516,737	311,547
Debentures	258,768	252,885	–	–
Other liabilities	13,179	41,840	–	–
	5,746,649	5,307,882	743,790	546,983

(c) Off Balance Sheet Items

As at 31 December	Subsidiary Companies 2022 LKR '000	Subsidiary Companies 2021 LKR '000	Associate Companies 2022 LKR '000	Associate Companies 2021 LKR '000
Guarantees	108,880	55,600	–	–
Letters of credit	489	–	–	–
Undrawn facilities	166,050	168,982	30,000	26,939
	275,419	224,582	30,000	26,939

(d) Average Accommodations/Due To Depositors Balances

For the year ended 31 December	Subsidiary Companies 2022 LKR '000	Subsidiary Companies 2021 LKR '000	Associate Companies 2022 LKR '000	Associate Companies 2021 LKR '000
Loans	1,252,560	1,070,660	488,625	258,306
Overdrafts	194,282	176,993	52,605	93,901
Due to depositors	4,865,466	4,571,955	231,245	220,131

Notes to the Financial Statements

61.3.2 Transactions with Subsidiaries and Associate Companies of the Group

In addition to the transactions between the Bank and its subsidiaries and Associate companies, transactions which were taken place between the Subsidiaries and Associate companies are also included in the section below:

(a) Items in Statement of Profit or Loss

	Subsidiary Companies		Associate Companies	
For the year ended 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Interest income	909,797	144,562	119,006	16,466
Interest expense	503,697	90,761	87,323	19,127
Other income	251,354	912,538	16,829	58,427
Other expenses	1,661,151	1,601,287	1,170	9,247

(b) Items in Statement of Financial Position

	Subsidiary Companies		Associate Companies	
As at 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Assets				
Loans	2,053,064	864,850	595,678	381,573
Overdrafts	191,645	196,918	19,708	85,502
Placements	30,326,587	6,557,968	–	–
Other receivables	1,750,737	866,394	–	–
	34,322,033	8,486,130	615,386	467,075
Liabilities				
Due to depositors	5,291,872	4,499,386	227,053	235,436
Securities sold under repurchase agreements	182,830	574,096	516,737	311,547
Debentures	258,768	252,885	–	–
Other liabilities	249,652	215,347	–	154
	5,983,122	5,541,714	743,790	547,137

(c) Off Balance Sheet items

	Subsidiary Companies		Associate Companies	
As at 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Guarantees	108,880	55,600	–	–
Letters of credit	489	–	–	–
Undrawn facilities	166,050	168,982	30,000	26,939
	275,419	224,582	30,000	26,939

(d) Average Accommodations/Due to Depositors Balances

	Subsidiary Companies		Associate Companies	
For the year ended 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Loans	1,458,957	1,337,763	488,625	263,339
Overdrafts	194,282	176,993	52,605	93,901
Due to depositors	4,895,629	4,637,313	231,245	220,131

61.4 Transactions with the Significant Investors having Significant Influence Over the Bank and the Post Employment Benefit plans for Bank's employees.

Significant investor of the Bank is the Government as it is a state owned entity. The Government refers to the Government of Sri Lanka, Government Corporations, Provincial Councils, Local Government bodies, other Government entities and their subsidiaries.

Post employment benefit plans are arrangements made by the Bank to provide post employment benefits for its employees.

Transactions and arrangements entered in to by the Bank with the Government and Government controlled entities (significant investor) and post employment benefit plans which are individually significant and for other transactions that are collectively, but not individually significant are as follows:

61.4.1 Transactions which are Collectively Significant

(a) Items in Statement of Profit or Loss

	Significant Investor		Post Employment Benefit Plans	
For the year ended 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Interest income	319,063,455	143,632,183	–	–
Other income	277,852	1,171,607	–	21,952
Interest expenses	66,885,196	22,515,304	9,989,149	5,717,234
Dividends paid	346,410	1,846,410	–	–
Contribution made	–	–	2,815,191	2,096,416

Notes to the Financial Statements

(b) Items in Statement of Financial Position

As at 31 December	Significant Investor 2022 LKR '000	Significant Investor 2021 LKR '000	Post Employment Benefit Plans 2022 LKR '000	Post Employment Benefit Plans 2021 LKR '000
Assets				
Loans and advances	1,062,191,022	1,189,473,626	–	–
Investment in securities and bonds	1,567,495,084	1,084,307,997	–	–
Investment in equity instruments	303,126	2,332,949	–	–
	2,629,989,232	2,276,114,572	–	–
Liabilities				
Due to depositors	437,961,856	524,780,268	94,737,605	78,989,188
Securities sold under repurchase agreements	171,015,765	39,587,935	1,001,732	–
Debentures	37,612,087	36,775,218	13,731,239	20,578,236
	646,589,708	601,143,421	109,470,576	99,567,424

(c) Off Balance Sheet items

As at 31 December	Significant Investor 2022 LKR '000	Significant Investor 2021 LKR '000
Letters of credit	116,007,596	142,817,741
Bills and acceptances	7,941,501	52,708,196
Guarantees	5,239,135	4,485,367
Forward exchange contracts and currency swaps	46,285,145	2,780,300
	175,473,377	202,791,604

(d) Other transactions

For the year ended 31 December	Significant Investor 2022 LKR '000	Significant Investor 2021 LKR '000
Gross foreign exchange transactions		
Sales	770,090,819	206,684,075
Purchases	544,199,426	5,369,529

(e) Average Accommodations/Due to Depositors Balances

	Significant Investor		Post Employment Benefit Plans	
For the year ended 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Loans and advances	1,125,832,324	1,025,150,254	–	–
Due to depositors	481,371,062	473,893,090	86,863,396	68,510,629
Off balance sheet facilities	189,132,490	166,877,430	–	–

61.4.2 Transactions which are Individually Significant

The Bank uses internal assessment methodology in order to identify significance of the transactions with the Government and Government related entities. Accordingly, the transactions which have been considered in normal day to day business operations which are carried on normal market conditions are considered as individually significant transactions.

The Government has issued Treasury Guarantees of LKR 779,009 million and Comfort Letters of LKR 52,676 million as of 31 December 2022 against the Loan facilities granted to State Owned Enterprises (SOEs).

61.4.3 Transactions With the Significant Investor – Group

Other than the transactions carried out by the Bank and balances held by the Bank with the Government, subsidiaries of the Group have carried out following transactions with the Government and balances held with the Government as follows:

	Significant Investor	
For the year ended 31 December	2022 LKR '000	2021 LKR '000
Investment in securities and bonds	6,360,146	4,043,470
Nostro balance with Central Bank of Sri Lanka	43,882	242,821
Income from investments in securities and bonds	735,849	289,299

Apart from the transactions listed above, the Group carried out transactions with the Government of Sri Lanka and other Government related entities in the form of providing services, investments in shares for trading purpose and other financial service transactions including inter bank placements during the year ended 31 December 2022 on comparable terms, which are applicable to transactions between the Group and its unrelated customers.

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62 Financial reporting by segment

Segmental information is presented in respect of Group business distinguishing the component of the Group that is engaged in different business segments or operations within a particular economic environment, which is subject to risk and returns that are different from those of other segments.

62.1 Primary segment information – Operating segments – Group

An operating segment is a component of the Group that engages in business activities, from which it may earn revenues and incur expenses, including revenues and expenses that relating to transactions with any of the Group's other components, whose operating results are reviewed by the management to make decision about resource allocation to each segment and assess its performance. The Group comprises the following major business segments: Retail banking, Corporate banking, International, Treasury and Investments, other non-banking and group functions'.

The management monitors the operating results of its business segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance are evaluated based on their operating profits or losses. Taxes on financial services and Income tax are managed on a Group basis and are not allocated to operating segments.

	Retail banking		Corporate banking	
For the year ended 31 December	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Revenue from external customers:				
Net interest income	34,752,005	53,071,506	70,584,955	34,569,429
Net fee and commission income	11,549,471	9,204,685	3,907,387	3,359,959
Other income	2,238,543	651,105	5,345,531	3,318,650
Total operating income	48,540,019	62,927,296	79,837,873	41,248,038
Impairment (charge)/reversal for loans and other losses	(10,971,334)	(13,240,129)	(56,451,115)	(20,640,008)
Other operating expenses	(34,352,551)	(28,311,761)	(4,788,243)	(6,687,754)
Total expenses	(45,323,885)	(41,551,890)	(61,239,358)	(27,327,762)
Operating profit before taxes on financial services	3,216,134	21,375,406	18,598,515	13,920,276
Taxes on financial services				
Operating profit after taxes on financial services				
Share of profit/(loss) of associate companies, net of tax				
Profit/(loss) before income tax	3,216,134	21,375,406	18,598,515	13,920,276
Income tax expense				
Profit for the year				
Total assets	891,862,461	995,646,746	1,188,838,332	1,430,320,436
Total liabilities	839,585,417	943,090,618	1,119,153,872	1,354,819,658
Cash flows from/(used in) operating activities	59,116,463	25,159,143	97,233,846	16,491,497
Cash flows from/(used in) investing activities	(2,627,276)	(78,189,852)	(3,502,116)	(112,325,524)
Cash flows from/(used in) financing activities	(31,005,103)	59,284,806	(41,329,304)	85,167,024
Capital expenditure to non current assets				
Depreciation and amortisation expenses	881,670	1,085,432	1,175,251	1,559,304

As the major customer of the Bank the transactions with, "Government and State Owned Enterprises (SOEs)" are included under Retail, Corporate and International, Treasury and Investment segments. More details are given in the Note 61– "Related Party Disclosures".

International, treasury and investment		Group function		Unallocated		Total	
2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
21,922,324	24,778,095	3,422,514	3,737,686	(912,906)	(1,167,089)	129,768,892	114,989,627
341,435	932,570	308,706	243,385	553,349	682,188	16,660,348	14,422,787
26,325,024	7,938,658	478,030	924,643	135,007	291,254	34,522,136	13,124,310
48,588,783	33,649,323	4,209,250	4,905,714	(224,550)	(193,647)	180,951,376	142,536,724
(19,479,956)	(9,003,987)	(139,209)	71,766	(253,291)	(849,607)	(87,294,905)	(43,661,965)
(7,741,813)	(6,092,663)	(3,987,823)	(3,351,115)	(413,882)	(588,411)	(51,284,312)	(45,031,704)
(27,221,769)	(15,096,650)	(4,127,032)	(3,279,349)	(667,173)	(1,438,018)	(138,579,217)	(88,693,669)
21,367,014	18,552,673	82,218	1,626,365	(891,723)	(1,631,665)	42,372,159	53,843,055
						(11,442,505)	(9,339,679)
						30,929,654	44,503,376
		122,847	133,677			122,847	133,677
21,367,014	18,552,673	205,065	1,760,042	(891,723)	(1,631,665)	31,052,501	44,637,053
						796,516	(5,953,659)
						31,849,017	38,683,394
2,084,601,281	1,213,737,811	54,308,859	44,665,909	171,157,628	163,578,854	4,390,768,561	3,847,949,756
1,962,411,148	1,149,669,545	35,962,464	30,028,966	161,125,126	154,944,191	4,118,238,027	3,632,552,978
59,175,852	13,453,432	9,238,003	(77,423)	(273,476)	1,002,574	224,490,688	56,029,223
(6,140,882)	(95,316,918)	(1,881,901)	(12,846,129)	(504,201)	295,092	(14,656,376)	(298,383,331)
(72,470,005)	72,270,824	484,184	9,740,142	(5,950,200)	(896,862)	(150,270,468)	225,565,934
						(4,195,214)	(2,371,909)
2,060,777	1,323,190	220,469	93,377	169,201	178,330	4,507,368	4,239,633

Notes to the Financial Statements

62.2 Secondary segment information – Geographical segments

Geographical segments provide products or services within a particular economic environment where risk and returns are different from those of other economic environments.

These segment comprise Domestic Operations, Offshore Banking Division and Overseas Banking divisions.

	Bank				Group			
	2022 LKR '000	%	2021 LKR '000	%	2022 LKR '000	%	2021 LKR '000	%
Assets								
Domestic banking operation	4,009,327,266	92.5	3,509,004,415	92.3	4,012,701,218	91.4	3,540,430,477	92.0
Offshore and overseas banking operation	327,132,438	7.5	294,279,428	7.7	378,067,343	8.6	307,519,279	8.0
Total assets	4,336,459,704	100.0	3,803,283,843	100.0	4,390,768,561	100.0	3,847,949,756	100.0
Total income								
Domestic banking operation	470,626,232	91.7	246,912,348	85.0	477,005,628	91.6	253,531,068	85.2
Offshore and overseas banking operation	42,523,103	8.3	43,450,146	15.0	43,885,536	8.4	44,089,785	14.8
Total income	513,149,335	100.0	290,362,494	100.0	520,891,164	100.0	297,620,853	100.0
Profit before tax								
Domestic banking operation	5,331,171	17.2	32,676,698	75.7	5,461,116	17.6	34,105,477	76.4
Offshore and overseas banking operation	25,645,478	82.8	10,512,819	24.3	25,591,385	82.4	10,531,576	23.6
Total profit before tax	30,976,649	100.0	43,189,517	100.0	31,052,501	100.0	44,637,053	100.0
Profit after tax								
Domestic banking operation	13,365,740	41.8	29,546,376	78.6	13,296,444	41.7	30,620,906	79.2
Offshore and overseas banking operation	18,606,668	58.2	8,043,731	21.4	18,552,573	58.3	8,062,488	20.8
Total profit after tax	31,972,408	100.0	37,590,107	100.0	31,849,017	100.0	38,683,394	100.0

63 Fair Values of Assets and Liabilities

Accounting policy

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

– in the principal market for the asset or liability or

– in the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 Valuation technique using quoted market price:
Financial instruments with quoted prices for identical instruments in active markets

Level 2 Valuation technique using observable inputs:
Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 Valuation technique with significant unobservable inputs:
Financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Bank uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

63.1 Assets and Liabilities Measured at Fair Value

Derivative Financial Instruments

All derivative financial instruments are classified as "Held for Trading" are valued using a valuation technique with market observable and market unobservable inputs. The most frequently applied valuation technique include forward foreign exchange spot and forward premiums.

Financial Assets Recognised through Profit or Loss – Measured at Fair Value

Financial instruments are classified as fair value through profit or loss consists Government securities, Quoted debt securities, Units in units trusts and Quoted equities. Government securities are valued using yield curve published by the Central Bank of Sri Lanka and the Bank uses quoted market prices in the active market for the valuation of quoted equities and quoted debt securities as at the reporting date. Units in units trusts are valued using manager's buying price of such asset management company since it is the most relevant exit price of such assets.

Financial Assets Measured at Fair Value through OCI

Financial investments are classified as fair value through OCI consists Government securities, Quoted equities and Unquoted equities.

- Government securities are valued using yield curve published by the Central Bank of Sri Lanka as at the reporting date.
- The Bank uses quoted market prices in the active market for the valuation of quoted equities and quoted debt securities as at the reporting date.
- Unquoted equities are carried at cost except Regional Development Bank investment in shares since it is the most reasonable value available to represents the price of such securities. Fair value of Regional Development Bank derived using an internal management valuation technique which details are given in Note 63.1.3

Property, Plant and Equipment

Freehold lands and buildings and buildings on leasehold lands are carried at revalued amount less any subsequent accumulated depreciation and impairment losses.

Notes to the Financial Statements

63.1.1 Assets measured at fair value – fair value hierarchy

	Bank				Group			
As at 31 December 2022	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000
Financial assets								
Derivative financial instruments								
Forward exchange contracts	–	3,045	–	3,045	–	3,045	–	3,045
Currency SWAPs	–	–	57,152,441	57,152,441	–	–	57,152,441	57,152,441
	–	3,045	57,152,441	57,155,486	–	3,045	57,152,441	57,155,486
Financial assets recognised through profit or loss measured at fair value								
Government securities								
Treasury bills	3,408,566	–	–	3,408,566	3,408,566	–	–	3,408,566
Treasury bonds	459,119	–	–	459,119	459,119	–	–	459,119
Quoted equities	2,387,814	–	–	2,387,814	2,681,665	–	–	2,681,665
Units in unit trusts	–	4,024,556	–	4,024,556	–	4,086,840	–	4,086,840
	6,255,499	4,024,556	–	10,280,055	6,549,350	4,086,840	–	10,636,190
Financial assets measured at fair value through OCI								
Quoted investments								
Government securities in Sri Lanka								
Treasury bonds	326,563	–	–	326,563	326,563	–	–	326,563
Government securities in India	3,034,704	–	–	3,034,704	3,034,704	–	–	3,034,704
Equities	1,543,243	–	–	1,543,243	3,606,623	–	–	3,606,623
Unquoted investments								
Equities	–	3,551,279	235,013	3,786,292	–	3,551,279	230,875	3,787,154
	4,904,510	3,551,279	235,013	8,690,802	6,967,890	3,551,279	230,875	10,750,044
Total financial assets	11,160,009	7,578,880	57,387,454	76,126,343	13,517,240	7,641,164	57,383,316	78,541,720
Non financial assets								
Property, plant and equipment	–	–	28,677,691	28,677,691	–	–	44,420,510	44,420,510
Total Non Financial Assets	–	–	28,677,691	28,677,691	–	–	44,420,510	44,420,510
Total	11,160,009	7,578,880	86,065,145	104,804,034	13,517,240	7,641,164	101,803,826	122,962,230
Financial liabilities								
Derivative financial instruments								
Forward exchange contracts	–	585,333	–	585,333	–	585,333	–	585,333
Currency SWAPs	–	–	335,700	335,700	–	–	335,700	335,700
Total Financial Liabilities	–	585,333	335,700	921,033	–	585,333	335,700	921,033

63.1.1 Assets measured at fair value – Fair value hierarchy

	Bank				Group			
As at 31 December 2021	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000
Financial assets								
Derivative financial instruments								
Forward exchange contracts	–	27,558	–	27,558	–	27,558	–	27,558
Currency SWAPs	–	–	4,314,973	4,314,973	–	–	4,314,973	4,314,973
	–	27,558	4,314,973	4,342,531	–	27,558	4,314,973	4,342,531
Financial assets recognised through profit or loss measured at fair value								
Government securities								
Treasury bills	2,308,810	–	–	2,308,810	2,308,810	–	–	2,308,810
Treasury bonds	27,656	–	–	27,656	131,378	–	–	131,378
Quoted equities	2,726,221	–	–	2,726,221	2,977,714	–	–	2,977,714
Units in unit trusts	–	4,167,335	–	4,167,335	–	4,222,911	–	4,222,911
	5,062,687	4,167,335	–	9,230,022	5,417,902	4,222,911	–	9,640,813
Financial assets measured at fair value through OCI								
Quoted investments								
Government securities in Sri Lanka								
Treasury bills	–	–	–	–	2,988,742	–	–	2,988,742
Treasury bonds	11,540,898	–	–	11,540,898	11,911,292	–	–	11,911,292
Government securities in India	1,780,868	–	–	1,780,868	1,780,868	–	–	1,780,868
Equities	2,749,598	–	–	2,749,598	3,940,622	–	–	3,940,622
Unquoted investments								
Equities	–	1,996,179	235,013	2,231,192	–	1,996,179	262,107	2,258,286
	16,071,364	1,996,179	235,013	18,302,556	20,621,524	1,996,179	262,107	22,879,810
Total financial assets	21,134,051	6,191,072	4,549,986	31,875,109	26,039,426	6,246,648	4,577,080	36,863,154
Non Financial Assets								
Property, Plant and Equipment	–	–	26,881,778	26,881,778	–	–	40,631,672	40,631,672
Total Non Financial Assets	–	–	26,881,778	26,881,778	–	–	40,631,672	40,631,672
Total	21,134,051	6,191,072	31,431,764	58,756,887	26,039,426	6,246,648	45,208,752	77,494,826
Financial Liabilities								
Derivative financial instruments								
Forward exchange contracts	–	17,297	–	17,297	–	17,297	–	17,297
Currency SWAPs	–	–	363,031	363,031	–	–	363,031	363,031
Total Financial Liabilities	–	17,297	363,031	380,328	–	17,297	363,031	380,328

Notes to the Financial Statements

63.1.2 Movements in Level 3 Assets Measured at Fair Value

The following table shows a reconciliation of the opening and closing amounts of level 3 assets and liabilities which are recorded at fair value.

	Bank					Group				
	As at 1 January 2022 LKR '000	Total gains/ (losses) recorded in profit or loss LKR '000	Total gains/ (losses) recorded in OCI LKR '000	Purchases/ (sales) and other adjustments LKR '000	As at 31 December 2022 LKR '000	As at 1 January 2022 LKR '000	Total gains/ (losses) recorded in profit or loss LKR '000	Total gains/ (losses) recorded in OCI LKR '000	Purchases/ (sales) and other adjustments LKR '000	As at 31 December 2022 LKR '000
Financial assets										
Derivative financial instruments										
Currency SWAPs	4,314,973	–	–	52,837,468	57,152,441	4,314,973	–	–	52,837,468	57,152,441
Financial assets measured at fair value through OCI										
Unquoted investments										
Equities	235,013	–	–	–	235,013	262,107	–	–	(31,232)	230,875
Total Level 3 financial assets	4,549,986	–	–	52,837,468	57,387,454	4,577,080	–	–	52,806,236	57,383,316
Non financial assets										
Property, plant and equipment	26,881,778	(254,695)	1,818,193	232,415	28,677,691	40,631,672	(973,705)	3,695,662	1,066,809	44,420,510
Total Level 3 assets	31,431,764	(254,695)	1,818,193	53,069,883	86,065,145	45,208,752	(973,705)	3,695,662	53,873,045	101,803,826
Financial liabilities										
Currency SWAPs	363,031	–	–	(27,331)	335,700	363,031	–	–	(27,331)	335,700
Total Level 3 financial liabilities	363,031	–	–	(27,331)	335,700	363,031	–	–	(27,331)	335,700
Net Level 3 financial assets	4,186,955	–	–	52,864,799	57,051,754	4,214,049	–	–	52,838,567	57,047,616

63.1.2 Movements in Level 3 assets measured at fair value

The following table shows a reconciliation of the opening and closing amounts of Level 3 assets and liabilities which are recorded at fair value.

	Bank					Group				
	As at 1 January 2021 LKR '000	Total gains/ (losses) recorded in profit or loss LKR '000	Total gains/ (losses) recorded in OCI LKR '000	Purchases/ (sales) and other adjustments LKR '000	As at 31December 2021 LKR '000	As at 1January 2021 LKR '000	Total gains/ (losses) recorded in profit or loss LKR '000	Total gains/ (losses) recorded in OCI LKR '000	Purchases/ (sales) and other adjustments LKR '000	As at 31December 2021 LKR '000
Financial assets										
Derivative financial instruments										
Currency SWAPs	510,394	–	–	3,804,579	4,314,973	510,394	–	–	3,804,579	4,314,973
Financial assets measured at fair value through OCI										
Unquoted investments										
Equities	232,570	–	–	2,443	235,013	255,248	–	–	6,859	262,107
Total Level 3 financial assets	742,964	–	–	3,807,022	4,549,986	765,642	–	–	3,811,438	4,577,080
Non financial assets										
Property, plant and equipment	26,441,721	(228,998)	(284,831)	953,886	26,881,778	39,929,121	(924,091)	345,441	1,281,201	40,631,672
Total Level 3 assets	27,184,685	(228,998)	(284,831)	4,760,908	31,431,764	40,694,763	(924,091)	345,441	5,092,639	45,208,752
Financial liabilities										
Currency SWAPs	85,990	–	–	277,041	363,031	85,990	–	–	277,041	363,031
Total Level 3 financial liabilities	85,990	–	–	277,041	363,031	85,990	–	–	277,041	363,031
Net Level 3 financial assets	656,974	–	–	3,529,981	4,186,955	679,652	–	–	3,534,397	4,214,049

Notes to the Financial Statements

63.1.3 Unobservable inputs used in measuring fair value of Level 3

The table below sets out information about significant unobservable inputs used as at 31December 2022 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type of financial instrument	Fair value as at 31 December 2022 LKR '000	Valuation technique	Significant unobservable input	Range of estimates (weighted average) for unobservable input	Fair value measurement sensitivity to unobservable input
Derivative Financial Instruments					
Currency SWAPs	57,152,441	Forward pricing model	Foreign exchange forward rate.	Negative 100 to positive 100 basis point.	Unfavourable or favourable impact on derivative assets value of LKR 571.2 million respectively.
Financial assets measured at fair value through OCI					
Unquoted Equity Shares					
Regional Development Bank	162,300	Discounted Cash Flow method	Constant Dividend model	Decreased by 5% and increased by 5% for existing cost of capital.	Impact to the fair value will be within negative and positive LKR 8.1million, no significant impact to the investment.
Credit Information Bureau of Sri Lanka	43,645	Value at cost	–		Fair value cannot be reliably measured. These are investments in mutual entities that provide transaction processing and transaction services to members on a pricing basis intended to recover the entities operating cost.
Lanka Clear (Private) Limited	23,443	Value at cost	–		
Lanka Financial Services Bureau Limited	5,000	Value at cost	–		
Fitch Ratings Lanka Limited	625	Value at cost	–		Fair value cannot be reliably measured and Bank used cost model for valuation.

63.2 Fair Value of Financial Assets and Liabilities not Carried at Fair Value

	Bank					Group				
	Fair value					Fair value				
As at 31 December 2022	Level 1 LKR '000'	Level 2 LKR '000'	Level 3 LKR '000'	Total LKR '000'	Carrying value LKR '000'	Level 1 LKR '000'	Level 2 LKR '000'	Level 3 LKR '000'	Total LKR '000'	Carrying value LKR '000'
Assets										
Financial assets at amortised cost										
– Debt and other instruments	907,511,589	3,089,117	258,194,481	1,168,795,187	1,555,897,307	913,414,133	3,089,117	258,924,023	1,175,427,273	1,562,373,679
Investment properties	–	–	3,003,007	3,003,007	2,414,640	–	–	653,000	653,000	104,798
Total	907,511,589	3,089,117	261,197,488	1,171,798,194	1,558,311,947	913,414,133	3,089,117	259,577,023	1,176,080,273	1,562,478,477
Liabilities										
Other borrowings	–	–	390,489,543	390,489,543	390,489,543	–	–	397,083,583	397,083,583	397,083,583
Debt securities issued	–	–	–	–	–	–	–	58,807	58,807	58,807
Subordinated liabilities	–	4,590,655	48,086,022	52,676,677	63,758,191	–	4,590,655	47,826,430	52,417,085	63,498,599
Total	–	4,590,655	438,575,565	443,166,220	454,247,734	–	4,590,655	444,968,820	449,559,475	460,640,989

	Bank					Group				
	Fair value					Fair value				
As at 31 December 2021	Level 1 LKR '000'	Level 2 LKR '000'	Level 3 LKR '000'	Total LKR '000'	Carrying value LKR '000'	Level 1 LKR '000'	Level 2 LKR '000'	Level 3 LKR '000'	Total LKR '000'	Carrying value LKR '000'
Assets										
Financial assets at amortised cost										
– Debt and other instruments	860,771,339	4,141,518	184,642,014	1,049,554,871	1,082,179,876	861,042,486	4,141,518	184,642,014	1,049,826,018	1,082,837,662
Investment properties	–	–	3,003,007	3,003,007	2,414,640	–	–	653,000	653,000	107,704
Total	860,771,339	4,141,518	187,645,021	1,052,557,878	1,084,594,516	861,042,486	4,141,518	185,295,014	1,050,479,018	1,082,945,366
Liabilities										
Other borrowings	–	–	444,107,977	444,107,977	444,107,977	–	–	447,875,002	447,875,002	447,875,002
Debt securities issued	–	–	–	–	–	–	–	2,107,182	2,107,182	2,107,182
Subordinated liabilities	–	17,690,269	46,337,407	64,027,676	64,358,855	–	17,690,269	46,084,522	63,774,791	64,105,970
Total	–	17,690,269	490,445,384	508,135,653	508,466,832	–	17,690,269	496,066,706	513,756,975	514,088,154

Notes to the Financial Statements

The following describes the methodologies and assumptions used to determine fair values for those assets and liabilities which are not already recorded at fair value in the Financial Statements.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost comprise Sri Lanka Development Bonds, Government and Corporate debt securities.

Variable rate Sri Lanka Development Bonds are re-pricing semi-annually. Hence, it is assumed that the carrying amounts approximate their fair value. Listed corporate debt securities are valued using quoted market price as of the reporting date, quoted government debt securities are valued using yield curve published by the Central Bank of Sri Lanka and fair value of unquoted corporate debt securities and Government securities including fixed rate Sri Lanka Development Bonds are estimated as the present value of future cash flows expected to be received from such investments calculated based on interest rates at the reporting date for similar instruments.

Investment Properties

Investment properties are valued by the independent professional valuers and more details are given in Note 33.

Financial Liabilities at Amortised Cost – Other Borrowings

Financial liabilities at amortised cost – other borrowings represent term borrowings from banks and other financial institutions in Sri Lanka and abroad and Refinance borrowings.

Fair value of term borrowings and refinance borrowings are estimated by the discounting the future cash flows using effective interest rates of similar instruments.

Debt Securities Issued

Fair value of debt securities issued are estimated as the present value of future cash flows expected to be paid from such investments calculated based on interest rates at the reporting date for similar instruments.

Subordinated Liabilities

Subordinated liabilities that are listed in the Colombo Stock Exchange valued using quoted market price as of the reporting date. Fair values of unlisted subordinated liabilities are estimated as the present value of future cash out flow expected to be paid to the instruments calculated based on the interest rates at the reporting date for smiler instruments.

63.3 Assets and Liabilities for which fair value approximates carrying value

For financial assets and liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their fair value. For certain instruments which have contractual maturity of more than one year, the fair value is determined using reasonable basis. Given below is the bases adopted by the Bank in order to establish the fair values of such financial instruments.

Financial assets at amortised cost – loans and advances

Approximately 47% of the total portfolio of loans and advances to customers have a remaining contractual maturity of less than one year and majority of balance loans are granted at floating rate. Therefore, fair value of loans and advances to customers approximates to their carrying value as at the reporting date.

Financial liabilities at amortised cost – due to depositors

Approximately 93% of the customer deposits are either repayable on demand or have a remaining contractual maturity of less than one year. Customer deposits with a contractual maturity of more than one year are subject to pre mature upliftment. Amounts paid to customers in the event of pre mature upliftment would not be materially different to its carrying value as at date. Therefore, fair value of customer deposits approximates to their carrying value as at the reporting date.

As at 31 December	2022		2021	
	Carrying Amount LKR '000	Fair Value LKR '000	Carrying Amount LKR '000	Fair Value LKR '000
Bank				
Financial assets				
Cash and cash equivalents	128,401,532	128,401,532	82,647,406	82,647,406
Balances with Central Banks	70,494,529	70,494,529	74,121,781	74,121,781
Placements with banks	16,459,303	16,459,303	4,957,417	4,957,417
Securities purchased under resale agreements	1,480,403	1,480,403	2,074,474	2,074,474
Financial assets at amortised cost loans and advances	2,325,594,329	2,325,594,329	2,413,762,291	2,413,762,291
Total financial assets	2,542,430,096	2,542,430,096	2,577,563,369	2,577,563,369
Financial liabilities				
Due to banks	11,514,897	11,514,897	17,936,070	17,936,070
Securities sold under repurchase agreements	180,218,543	180,218,543	162,156,413	162,156,413
Due to depositors	3,334,774,261	3,334,774,261	2,866,894,010	2,866,894,010
Total financial liabilities	3,526,507,701	3,526,507,701	3,046,986,493	3,046,986,493
Group				
Financial assets				
Cash and cash equivalents	135,230,827	135,230,827	82,313,908	82,313,908
Balances with Central Banks	70,494,529	70,494,529	74,121,781	74,121,781
Placements with banks	17,811,665	17,811,665	5,342,369	5,342,369
Securities purchased under resale agreements	1,463,368	1,463,368	2,976,664	2,976,664
Financial assets at amortised cost loans and advances	2,355,978,333	2,355,978,333	2,446,330,329	2,446,330,329
Total financial assets	2,580,978,722	2,580,978,722	2,611,085,051	2,611,085,051
Financial liabilities				
Due to banks	11,547,714	11,547,714	18,646,339	18,646,339
Securities sold under repurchase agreements	179,938,744	179,938,744	161,668,335	161,668,335
Due to depositors	3,358,198,424	3,358,198,424	2,886,237,094	2,886,237,094
Total financial liabilities	3,549,684,882	3,549,684,882	3,066,551,768	3,066,551,768

Notes to the Financial Statements

63.4 Reclassification of financial assets and financial liabilities

Reclassification of investments in debts

During the period under review, CA Sri Lanka issued a "Statement of Alternative Treatment (SoAT) on Reclassification of Debt Portfolio", considering the unprecedented changes in the macro-economic conditions. This SoAT provides a temporary practical expedient to permit the entities to reclassify the debt portfolio measured at Fair Value through Other Comprehensive Income (FVTOCI) to Amortised Cost (AC) and this is a one off option.

The Bank has exercised this option and reclassified its FVTOCI Treasury Bond portfolio as at 1st April 2022 to AC, during the second quarter of 2022.

Net impact to the financial position and other comprehensive income due to reclassification is given below.

30 June 2022	Financial position		Charge/(Reversal) to OCI/Equity
	Under AC LKR Mn	Under FVTOCI LKR Mn	LKR Mn
Treasury Bonds	12,756	(8,928)	(3,828)
Deferred tax asset	–	749	749
Total	–	–	3,079

* Increase Treasury bond investment at amortised cost by LKR 12,756 million, and decreased. Treasury Bond Investment made under Fair Value Through Other Comprehensive Income by LKR 8,928 million and net impact to equity through Other Comprehensive Income is positive LKR 3,079 million.

64 Financial Risk Management

64.1 Introduction

64.1.1 Overview

Bank exposes to various risks including Credit risk, Market Risk, Operational Risk and Liquidity risk which are inherent in financial intermediation. The bank has a well developed, comprehensive Risk Management Framework (RMF) as Management of these risks is vital in Sustainable Banking Business.

Risk Management Framework (RMF) of the Bank provides the consistent guidance to identify, assess, measure, monitor and reporting of risks to ensure efficient and effective management with the proper oversight by the Integrated Risk Management Committee (IRMC). Financial risk together with other material risks faced by the Bank including strategic, reputational, compliance and legal risks are managed and overseen as a part of the Banks Corporate Governance and Risk Management Framework. This note presents the exposure to risk and the processes of measuring and managing such risks.

General

64.1.2 – Group Risk Management
64.1.3 – Risk Management Framework
64.1.4 – Risk measurement, reporting and mitigation

Credit Risk

64.2.2 – Maximum Exposure to credit risk
64.2.3 – Provision for impairment (ECL) movement
64.2.5 – Country wise exposure
64.2.6 – Sectorwise Exposure
64.2.7 – Commitments and guarantees

Liquidity Risk

64.3.1 – Liquidity Risk Exposure
64.3.2 – Maturity Analysis of financial assets and liabilities

Market Risk

64.4.1 – Trading and non-trading portfolio – Bank
64.4.2 – Interest Rate Risk
64.4.3 – Foreign Exchange Risk
64.4.4 – Equity Risk

Operational Risk

Capital adequacy and Capital Management

64.1.2 Group risk management

Bank of Ceylon group consists of 09 financial and non financial subsidiaries, directly and indirectly owned by the Bank and 04 associate companies. The diversified businesses are carried out by the group companies in various sectors. Except reputation damage that could arise the Bank is not exposed to significant subsidiary risk due to the size of the balance sheet of the group.

The Bank is managing the strategic risk through comprehensive review of group activities on a quarterly basis mainly in the perspective of Credit, Market, liquidity and Operational risks which are overseen by the IRMC. Bank closely involves in risk, compliance and audit affairs of subsidiaries by appointing members of Senior Management of the Bank as members to the Boards of such companies.

64.1.3 Risk Management Framework (RMF)

Risk Management Framework of the Bank begins with oversight by the Board of Directors through IRMC and based on the Three Lines of Defense model which assures the performance of overall Risk Management. The Board approved RMF consists of clearly defined governance structures, policy frameworks and a culture of risk awareness which ensures the consistent management of the risk across the Bank. Therefore RMF provides a structured approach to manage all the risk exposures through Risk Management Policies, Risk Appetite and limit setting of the Bank. This establishes the strategic direction of the Bank and provides a holistic approach to Bank's Risk Management.

The Bank's Independent Integrated Risk Management Division (IIRMD) is headed by the Chief Risk Officer (CRO), who directly reports to the Integrated Risk Management Committee (IRMC), which is a sub-committee of the Board. The business units are the risk owners and have the primary responsibility for Risk Management. The IIRMD acts as the second line of defence in Risk Management. IIRMD reports to the IRMC through CRO who is also a member of management level committees such as Credit Committee, Asset and Liability Management Committee (ALCO), Operational Risk Management Executive Committee (ORMEC), Corporate Information Security Committee (CISC) etc., which assist in managing various risks that the Bank is exposed to.

The Internal Audit function of the Bank independently monitors and evaluates the Risk Management function of the Bank as third line of defence and provides their views on Risk Management to the Audit Committee.

64.1.4 Risk measurement, reporting and mitigation

Risks, either internal or external are measured using various techniques and Risk Management tools inline with the industry best practices with respect to Credit, Market, Operational, Liquidity, Information Security and other risks. To address the high volatility of the economy, the Bank carried out various adhoc analysis to assess the future risks while increasing the assessment frequency and escalate to the top management for mitigation actions. The Bank has also carried out stress testing for several single factor,non conventional worse case scenarios which are plausible in an irritated economy.

In addition, the Internal Capital Adequacy Assessment Process (ICAAP) assess its capital requirement based on the risk profile and sets out the framework for the Bank's internal capital augmentation. The Bank uses different assessment methodologies which are internationally accepted to measure the Pillar II risks, in addition to Pillar I risks. The results are reported to the IRMC for timely decision making that leads to better Risk Management while complying with the regulatory reporting requirements.

As a part of its overall Risk Management, the Bank uses several mitigation techniques and strategies to reduce the Risk. Bank uses comprehensive pre sanctioning and post sanctioning techniques to reduce its Credit Risk. Collaterals are used for further mitigation and pricing mechanism ensures facilities are priced factoring individual rating and availability of collateral. Market risk exposures including interest rate, foreign exchange and equity risks are mitigated using derivative instruments in limited context. The Bank addresses liquidity risk via a robust policy framework, measurement and mitigation approaches including comprehensive stress testing. Operational risk is managed through strong internal control mechanism, reinforced by the three lines of defense. Insurance is used as an operational risk transfer strategy where necessary. The most vulnerable risk in the present business environment, the IT risk is managed through comprehensive policies and standards.

Notes to the Financial Statements

64.2 Credit Risk

Credit risk is defined as potential losses arising due to a counterparty to a credit transaction failing to meet obligations in accordance with agreed terms. Credit risk can take the form of default and concentration.

64.2.1 Management of Credit Risk

Credit Risk Management function ensures standard processes and principles are applied to both transaction and portfolio levels. Credit Risk Management policies define the conditions and guidelines for evaluation, granting, maintenance, monitoring and management of credit at corporate and retail segments. Concentration risk is managed by maintaining a diversified credit portfolio according to the Risk Appetite limits setout considering the assessment of borrower and industry specific factors.

The Bank has well established process for approving new credit and for the renewal of existing credit. All the potential credit exposures of the bank are first evaluated by transaction originators who are the risk owners of the credit mechanism. Credit proposals exceeding a certain threshold are independently reviewed by the Chief Risk Officer.

Rating models are a key input by which the credit risk in portfolios is managed, measured and monitored. The Bank uses a range of credit risk rating models across the corporate and mid corporate portfolios covering the different industries the customers are in. Retail exposures are managed through number of retail scorecards.

Collateral is used for credit risk mitigation purposes and minimises losses that would otherwise be incurred. Collateral may take various forms depending on the type of borrower, the assets available, the structure and the term of credit obligations. Collateral is subject to regular valuation as prescribed in the relevant governing policies and standards.

Procedure is in place to identify credit exposures vulnerable to increased risk of loss at an early stage. In order to reduce potential credit losses and to increase the recovery of obligations credit risk mitigants are applied. Post sanctioning review of credit exposures is carried out to ensure proper documentation, adherence to the covenants, by credit quality assurance units setup at various levels to assure a quality loan book.

According to the SLFRS 9, the incurred losses, as well as the expected credit losses need to be taken into consideration when providing for credit risk.

64.2.1.1 Calculation of expected credit losses (ECL)

Expected credit loss represents the default events over an expected life time of the financial assets. Expected credit losses are calculated using three main components, i.e. Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). These parameters are generally derived from internally developed statistical models combined with historical, current and forward-looking customer and macro-economic data.

SLFRS 9 introduces a three stage model for impairment of financial assets that are performing at the stage of origination or purchase. Three stage model for impairment is based on the changes in the credit quality since initial recognition. At initial recognition, financial assets which are not credit impaired are reflected in stage 1. If there is a significant increase in the credit risk, such financial assets are transferred to stage 2. Significant increase in the credit risk is defined using pre-determined credit risk indicators which are stated in the bank's impairment policy. In case of a default, financial assets are classified as stage 3.

64.2.1.2 Incorporation of forward-looking information

The Bank has established an expert panel who considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments, that support the calculation of ECLs.

64.2.2 Maximum exposure to credit risk

64.2.2.1 Collateral and other credit enhancements

The Bank obtains different types of collaterals from the counterparties as a credit risk mitigant. The amount and the types of the collateral required depend on credit risk assessment of the counterparty. The acceptability of the collateral and valuation is determined based on the guidelines issued by the regulator and the bank's policy. The main types of collateral obtained are;

- For commercial lending-charges over movable and immovable properties
- For personal lending – mortgages over movable and immovable properties, cash and cash equivalents and gold articles
- For Government and State Owned Enterprises – Government guarantees
- For reverse repurchase transactions – Government securities

The Bank monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

Notes to the Financial Statements

The following table shows the maximum exposure to credit risk, total fair value of collateral, any surplus collateral and the net exposure to credit risk.

64.2.2.2 Type of collateral or credit enhancements

31 December 2022

	Maximum exposure to credit risk LKR '000	Cash LKR '000	Gold LKR '000
Cash and cash equivalents	128,425,687	57,691,482	–
Less: Impairment	(24,155)	–	–
Balances with Central Banks	70,494,529	70,494,529	–
Placements with banks	16,779,252	–	–
Less: Impairment	(319,949)	–	–
Securities purchased under resale agreements	1,480,403	–	–
Derivative financial instruments	57,155,486	–	–
Financial assets recognised through profit or loss – measured at fair value	10,280,055	–	–
Financial assets at amortised cost – loans and advances	2,584,778,967	76,796,221	74,899,955
Less: Impairment	(259,184,638)	–	–
Financial assets at amortised cost – debt and other instruments	1,609,711,362	–	–
Less: Impairment	(53,814,055)	–	–
Financial assets measured at fair value through OCI/Available for sale	8,690,802	–	–
Total	4,174,453,746	204,982,232	74,899,955

31 December 2021

	Maximum exposure to credit risk LKR '000	Cash LKR '000	Gold LKR '000
Cash and cash equivalents	82,659,609	47,819,722	–
Less: Impairment	(12,203)	–	–
Balances with Central Banks	74,121,781	74,121,781	–
Placements with banks	4,957,950	–	–
Less: Impairment	(533)	–	–
Securities purchased under resale agreements	2,074,474	–	–
Derivative financial instruments	4,342,531	–	–
Financial assets recognised through profit or loss – measured at fair value	9,230,022	–	–
Financial assets at amortised cost – loans and advances	2,576,668,173	71,080,674	111,427,897
Less: Impairment	(162,905,882)	–	–
Financial assets at amortised cost – debt and other instruments	1,095,978,957	–	–
Less: Impairment	(13,799,081)	–	–
Financial assets measured at fair value through OCI/Available for sale	18,302,556	–	–
Total	3,691,618,354	193,022,177	111,427,897

Value of collateral and credit enhancements held						
GoSL Securities/ Guarantees LKR '000	Movables LKR '000	Immovables LKR '000	Others LKR '000	Surplus Collateral LKR '000	Net Collateral LKR '000	Net exposure LKR '000
–	–	–	–	–	57,691,482	70,734,205
–	–	–	–	–	–	(24,155)
–	–	–	–	–	70,494,529	–
–	–	–	–	–	–	16,779,252
–	–	–	–	–	–	(319,949)
1,872,710	–	–	–	(392,307)	1,480,403	–
–	–	–	–	–	–	57,155,486
3,867,685	–	–	–	–	3,867,685	6,412,370
805,519,532	135,237,450	397,650,677	96,197,997	(57,247,702)	1,529,054,130	1,055,724,837
–	–	–	–	–	–	(259,184,638)
1,320,396,629	–	–	–	–	1,320,396,629	289,314,733
–	–	–	–	–	–	(53,814,055)
3,361,266	–	–	–	–	3,361,266	5,329,536
2,135,017,822	135,237,450	397,650,677	96,197,997	(57,640,009)	2,986,346,124	1,188,107,622

Value of collateral and credit enhancements held						
GoSL Securities/ Guarantees LKR '000	Movables LKR '000	Property LKR '000	Others LKR '000	Surplus Collateral LKR '000	Net Collateral LKR '000	Net exposure LKR '000
–	–	–	–	–	47,819,722	34,839,887
–	–	–	–	–	–	(12,203)
–	–	–	–	–	74,121,781	–
–	–	–	–	–	–	4,957,950
–	–	–	–	–	–	(533)
2,115,904	–	–	–	(41,430)	2,074,474	–
–	–	–	–	–	–	4,342,531
2,336,466	–	–	–	–	2,336,466	6,893,556
1,056,518,691	89,099,254	562,222,714	100,546,487	(92,863,124)	1,898,032,593	678,635,580
–	–	–	–	–	–	(162,905,882)
1,082,878,039	–	–	–	–	1,082,878,039	13,100,918
–	–	–	–	–	–	(13,799,081)
13,321,766	–	–	–	–	13,321,766	4,980,790
2,157,170,866	89,099,254	562,222,714	100,546,487	(92,904,554)	3,120,584,841	571,033,513

Notes to the Financial Statements

64.2.3 Provision for impairment (ECL) movement

The following tables show reconciliations from the opening to closing balance of the provision for impairment by class of financial instrument.

As at 31 December 2022	Note	12-month ECL (Stage 1) LKR. '000	Lifetime ECL – not credit impaired (Stage 2) LKR '000	Lifetime ECL – credit impaired (Stage 3) LKR '000	Total LKR '000
Cash and cash equivalents					
Provision for impairment (ECL) as at 1 January 2022	22	12,203	–	–	12,203
Transfer to Stage 1		–	–	–	–
Transfer to Stage 2		–	–	–	–
Transfer to Stage 3		–	–	–	–
Net remeasurement of impairment		–	–	–	–
New assets originated or purchased		24,155	–	–	24,155
Financial assets derecognised or repaid (excluding write-offs)		(12,203)	–	–	(12,203)
Foreign exchange adjustments		–	–	–	–
As at 31 December 2022		24,155	–	–	24,155
Placements with Central Banks and Other Banks	24				
Provision for impairment (ECL) as at 1 January 2022		533	–	–	533
Transfer to Stage 1		–	–	–	–
Transfer to Stage 2		–	–	–	–
Transfer to Stage 3		–	–	–	–
New remeasurement of impairment		–	–	–	–
New assets originated or purchased		319,949	–	–	319,949
Financial assets derecognised or repaid (excluding write-offs)		(533)	–	–	(533)
Foreign exchange adjustments		–	–	–	–
As at 31 December 2022		319,949	–	–	319,949
Financial assets at amortised cost – Loans and advances to other customers	27				
Provision for impairment (ECL) as at 1 January 2022		24,417,936	15,122,165	123,365,781	162,905,882
Transfer to Stage 1		6,023,202	(4,673,336)	(1,349,866)	–
Transfer to Stage 2		(2,841,625)	5,881,560	(3,039,935)	–
Transfer to Stage 3		(412,354)	(527,834)	940,188	–
Net remeasurement of impairment		8,018,739	8,225,065	55,108,662	71,352,466
New assets originated or purchased		4,347,529	1,439,471	1,379,826	7,166,826
Write-offs and recoveries		–	–	(18,554)	(18,554)
Foreign exchange adjustments		347,791	687,473	24,289,327	25,324,591
Interest accrued on impaired loans and advances		–	–	(7,758,610)	(7,758,610)
Other movements		(190,269)	(735,011)	1,137,316	212,037
As at 31 December 2022		39,710,949	25,419,553	194,054,136	259,184,638
Financial assets at amortised cost – Debt and other financial instruments	29				
Provision for impairment (ECL) as at 1 January 2022		13,770,767	–	28,314	13,799,081
Transfer to Stage 1		–	–	–	–
Transfer to Stage 2		(13,607,594)	13,607,594	–	–
Transfer to Stage 3		–	–	–	–
Net remeasurement of impairment		160,903	15,902,905	–	16,063,808
New assets originated or purchased		–	–	–	–
Financial assets derecognised or repaid (excluding write-offs)		(162)	–	–	(162)
Foreign exchange adjustments		–	23,951,328	–	23,951,328
As at 31 December 2022		323,914	53,461,827	28,314	53,814,055

As at 31 December 2021	Note	12-month ECL (Stage 1) LKR. '000	Lifetime ECL – not credit impaired (Stage 2) LKR '000	Lifetime ECL – credit impaired (Stage 3) LKR '000	Total LKR '000
Cash and cash equivalents					
Provision for impairment (ECL) as at 1 January 2021	22	11,268	–	–	11,268
Transfer to Stage 1		–	–	–	–
Transfer to Stage 2		–	–	–	–
Transfer to Stage 3		–	–	–	–
Net remeasurement of impairment		–	–	–	–
New assets originated or purchased		12,203	–	–	12,203
Financial assets derecognised or repaid (excluding write-offs)		(11,268)	–	–	(11,268)
Foreign exchange adjustments		–	–	–	–
As at 31 December 2021	.	12,203	–	–	12,203
Placements with Central Bank and Other Banks	24				
Provision for impairment (ECL) as at 1 January 2021		394	–	–	394
Transfer to Stage 1		–	–	–	–
Transfer to Stage 2		–	–	–	–
Transfer to Stage 3		–	–	–	–
New remeasurement of impairment		202	–	–	202
New assets originated or purchased		269	–	–	269
Financial assets derecognised or repaid (excluding write-offs)		(332)	–	–	(332)
Foreign exchange adjustments		–	–	–	–
As at 31 December 2021		533	–	–	533
Financial assets at amortised cost – Loans and advances to other customers	28				
Provision for impairment (ECL) as at 1 January 2021		11,640,862	11,447,964	103,706,911	126,795,737
Transfer to Stage 1		4,412,909	(818,558)	(3,594,351)	–
Transfer to Stage 2		(1,288,821)	3,063,708	(1,774,887)	–
Transfer to Stage 3		(970,227)	(4,419,058)	5,389,285	–
Net remeasurement of impairment		6,333,767	1,285,122	11,032,283	18,651,172
New assets originated or purchased		4,187,515	4,410,643	17,280,078	25,878,236
Write-offs and recoveries		–	–	(76,971)	(76,971)
Foreign exchange adjustments		101,931	152,344	428,458	682,733
Interest accrued on impaired loans and advances		–	–	(9,101,995)	(9,101,995)
Other movements		–	–	76,970	76,970
As at 31 December 2021		24,417,936	15,122,165	123,365,781	162,905,882
Financial assets at amortised cost – Debt and other financial instruments	29				
Provision for impairment (ECL) as at 1 January 2021		5,465,523	–	28,314	5,493,837
Transfer to Stage 1		–	–	–	–
Transfer to Stage 2		–	–	–	–
Transfer to Stage 3		–	–	–	–
Net remeasurement of impairment		2,981,381	–	–	2,981,381
New assets originated or purchased		9,054,609	–	–	9,054,609
Financial assets derecognised or repaid (excluding write-offs)		(3,730,746)	–	–	(3,730,746)
As at 31 December 2021		13,770,767	–	28,314	13,799,081

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64.2.4 Analysis of risk concentration

Concentration risk in credit portfolios arises due to an uneven distribution of bank loans to individual borrowers, industry ,sector or geographical regions. In managing the concentration risk the bank uses the Herfindahl-Hirschman Index (HHI) as a measurement tool. The Bank has established appropriate limits to maintain concentration risk at an acceptable level.

64.2.5 Country wise exposure

The Bank has established branches in three countries i.e. India, Maldives, and Seychelles through which the bank mainly maintains exposures outside Sri Lanka. Bank also has a fully owned subsidiary operating in United Kingdom (UK). All overseas branches are operating with pre-set limits (credit limits as well as country limits) which are approved by the Board of Directors.

Exposures in other countries include placements with banks and nostro account balances with correspondent banks whose risks are managed through Board approved limits.

31 December 2022	Sri Lanka	UK	Maldives	India	USA	Seychelles	Other Countries	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Assets								
Cash and cash equivalents	57,132,066	30,944,706	1,672,605	949,436	28,935,856	95,207	8,671,656	128,401,532
Balances with Central Banks	63,270,482	–	5,932,746	638,905	–	652,397	–	70,494,529
Placements with banks	374,277	15,865,662	–	219,365	–	–	–	16,459,303
Securities purchased under resale agreements	1,480,403	–	–	–	–	–	–	1,480,403
Derivative financial instruments	57,155,486	–	–	–	–	–	–	57,155,486
Financial assets recognised through profit or loss/ Held for trading – measured at fair value	10,280,055	–	–	–	–	–	–	10,280,055
Financial assets at amortised cost – loans and advances	2,242,060,794	–	64,041,702	16,741,956	–	2,749,877	–	2,325,594,329
Financial assets at amortised cost – debt and other instruments	1,511,726,174	–	44,171,133	–	–	–	–	1,555,897,307
Financial assets measured at fair value through OCI/ Available for sale	5,656,099	–	–	3,034,704	–	–	–	8,690,802
Total financial assets	3,949,135,836	46,810,368	115,818,186	21,584,366	28,935,856	3,497,481	8,671,656	4,174,453,746
Liabilities								
Due to banks	189,125	1,493,406	–	1,438,081	8,289,350	–	104,934	11,514,897
Securities sold under repurchase agreements	180,218,543	–	–	–	–	–	–	180,218,543
Derivative financial instruments	921,033	–	–	–	–	–	–	921,033
Financial liabilities at amortised cost – due to depositors	3,231,785,180	–	86,213,418	12,802,183	–	3,973,480	–	3,334,774,261
Financial liabilities at amortised cost – other borrowings	306,563,900	–	–	–	–	–	83,925,643	390,489,543
Subordinated term debts	63,758,191	–	–	–	–	–	–	63,758,191
Total financial liabilities	3,783,435,972	1,493,406	86,213,418	14,240,264	8,289,350	3,973,480	84,030,577	3,981,676,468

31 December 2021	Sri Lanka LKR '000	UK LKR '000	Maldives LKR '000	India LKR '000	USA LKR '000	Seychelles LKR '000	Other Countries LKR '000	Total LKR '000
Assets								
Cash and cash equivalents	56,897,136	1,444,631	1,087,346	47,816	18,467,946	21,304	4,681,227	82,647,406
Balances with Central Banks	68,489,630	–	4,175,259	1,148,946	–	307,946	–	74,121,781
Placements with banks	–	4,957,417	–	–	–	–	–	4,957,417
Securities purchased under resale agreements	2,074,474	–	–	–	–	–	–	2,074,474
Derivative financial instruments	4,342,531	–	–	–	–	–	–	4,342,531
Financial assets recognised through profit or loss/ Held for trading – measured at fair value	9,230,022	–	–	–	–	–	–	9,230,022
Financial assets at amortised cost – loans and advances	2,371,505,980	–	29,343,505	11,111,601	–	1,801,205	–	2,413,762,291
Financial assets at amortised cost – debt and other instruments	1,058,689,522	–	23,490,354	–	–	–	–	1,082,179,876
Financial assets measured at fair value through OCI/ Available for sale	16,521,688	–	–	1,780,868	–	–	–	18,302,556
Total financial assets	3,587,750,983	6,402,048	58,096,464	14,089,231	18,467,946	2,130,455	4,681,227	3,691,618,354
Liabilities								
Due to banks	16,206,814	212,760	–	883,479	624,976	–	8,041	17,936,070
Securities sold under repurchase agreements	162,156,413	–	–	–	–	–	–	162,156,413
Derivative financial instruments	380,328	–	–	–	–	–	–	380,328
Financial liabilities at amortised cost – due to depositors	2,810,922,352	–	44,536,465	9,098,976	–	2,336,217	–	2,866,894,010
Financial liabilities at amortised cost – other borrowings	20,629,245	–	–	–	–	–	423,478,732	444,107,977
Debt securities issued	–	–	–	–	–	–	–	–
Subordinated term debts	64,358,855	–	–	–	–	–	–	64,358,855
Total financial liabilities	3,074,654,007	212,760	44,536,465	9,982,455	624,976	2,336,217	423,486,773	3,555,833,653

Notes to the Financial Statements

The Bank's portfolio is well diversified with in the sectors and all exposures were maintained within the set HHI during the year.

64.2.6 Sector wise exposure

31 December 2022	Agriculture and fisheries LKR '000	Banking finance and insurance LKR '000	Hotels travels and services LKR '000
Cash and cash equivalents	–	128,425,687	–
Less: Impairment	–	–	–
Balances with Central Banks	–	63,270,482	–
Placements with banks	–	16,779,252	–
Less: Impairment	–	–	–
Securities purchased under resale agreements	–	1,480,403	–
Derivative financial instruments	–	57,155,486	–
Financial assets recognised through profit or loss – measured at fair value	337,108	28,777	312,240
Financial assets at amortised cost – loans and advances	186,702,488	41,494,798	152,048,154
Less: Impairment	–	–	–
Financial assets at amortised cost – debt and other instruments	19,302	1,819,382	–
Less: Impairment	–	–	–
Financial assets measured at fair value through OCI	–	1,705,544	–
Total financial assets	187,058,898	312,659,811	152,360,394

31 December 2021	Agriculture and fisheries LKR '000	Banking finance and insurance LKR '000	Hotels travels and services LKR '000
Cash and cash equivalents	–	82,659,609	–
Less: Impairment	–	–	–
Balances with Central Banks	–	68,797,576	–
Placements with banks	–	4,957,950	–
Less: Impairment	–	–	–
Securities purchased under resale agreements	–	2,074,474	–
Derivative financial instruments	–	4,342,531	–
Financial assets recognised through profit or loss – measured at fair value	391,257	49,175	32,356
Financial assets at amortised cost – loans and advances	168,480,238	86,130,795	149,153,328
Less: Impairment	–	–	–
Financial assets at amortised cost – debt and other instruments	–	153,384	–
Less: Impairment	–	–	–
Financial assets measured at fair value through OCI	–	4,150,640	–
Total financial assets	168,871,495	253,316,134	149,185,684

Housing, construction and infrastructure LKR '000	Manufacturing LKR '000	Commercial trade LKR '000	Sovereign and direct government LKR '000	Transportation and logistics LKR '000	Other commercial services LKR '000	Consumption and others LKR '000	Total LKR '000
–	–	–	–	–	–	–	128,425,687
–	–	–	–	–	–	–	(24,155)
–	–	–	–	–	7,224,047	–	70,494,529
–	–	–	–	–	–	–	16,779,252
–	–	–	–	–	–	–	(319,949)
–	–	–	–	–	–	–	1,480,403
–	–	–	–	–	–	–	57,155,486
14,271	1,432,628	14,552	3,867,685	111,601	92,487	495,047,305	10,280,055
560,794,607	164,211,886	740,998,278	131,865,400	95,757,779	15,858,272	4,068,706	2,584,778,967
–	–	–	–	–	–	–	(259,184,638)
–	–	1,588,948	1,606,283,730	–	–	–	1,609,711,362
–	–	–	–	–	–	–	(53,814,055)
–	–	–	3,361,266	–	3,623,992	–	8,690,802
560,808,878	165,644,514	742,601,778	1,745,378,081	95,869,380	26,798,798	499,116,011	4,174,453,746

Housing, construction and infrastructure LKR '000	Manufacturing LKR '000	Commercial trade LKR '000	Sovereign and direct government LKR '000	Transportation and logistics LKR '000	Other commercial services LKR '000	Consumption and others LKR '000	Total LKR '000
–	–	–	–	–	–	–	82,659,609
–	–	–	–	–	–	–	(12,203)
–	–	–	–	–	5,324,205	–	74,121,781
–	–	–	–	–	–	–	4,957,950
–	–	–	–	–	–	–	(533)
–	–	–	–	–	–	–	2,074,474
–	–	–	–	–	–	–	4,342,531
18,390	1,730,148	8,303	2,336,466	–	102,192	4,561,735	9,230,022
524,557,548	179,824,294	366,791,141	475,917,078	206,713,908	81,929,293	337,170,550	2,576,668,173
–	–	–	–	–	–	–	(162,905,882)
–	–	3,979,060	1,091,846,513	–	–	–	1,095,978,957
–	–	–	–	–	–	–	(13,799,081)
–	–	–	13,321,766	–	830,150	–	18,302,556
524,575,938	181,554,442	370,778,504	1,583,421,823	206,713,908	88,185,840	341,732,285	3,691,618,354

Notes to the Financial Statements

64.2.7 Commitments and guarantees

The Bank enters into various irrevocable commitments and contingent liabilities to meet the financial needs of customers. They do contain credit/default risk even though these obligations are not recognised in the statement of financial position as on balance sheet assets. The capital charges for such commitments and contingent liabilities based on the applicable credit conversion factors are allocated according to the regulatory guidelines to factor the risk inherent in it.

The table below shows the Bank's maximum exposure for commitments and guarantees. The details of the Bank's credit risk exposure for commitments and contingencies are disclosed in Note No. 57.

	Bank	
As at 31 December	2022 LKR '000	2021 LKR '000
Acceptances and documentary credit	157,948,135	274,415,072
Bills for collection	64,815,618	29,141,466
Forward exchange contracts	199,453,327	126,597,458
Guarantees	167,974,583	157,348,930
Other commitments	56,983,452	110,678,774
	647,175,115	698,181,700

64.2.8 Management overlays over Expected Credit Risk

Beyond the Bank's normal impairment calculation process adopted for the loans and advances as per the SLFRS 09 and CBSL Directions, the Bank considered the impacted industries from the present economic condition of the country due to COVID-19 pandemic. Accordingly the management overlays were applied for Tourism and Construction sectors as risk elevated industries and customers coming into Stage 1 for those industries were transferred to Stage 2 when assessing the impairment considering the life time expected loss rather than 12 months expected loss under Stage 1. Further, the Bank decided to make additional provision for credit facilities which are converted to new loans under various moratorium and concession schemes during the year considering the potential risk.

In order to capture the prevailing economic conditions in to Economic Factor Adjustment (EFA) to incorporate the expected credit loss in determining the impairment for collectively assessed portfolios, the Bank increased the weightages applied for the expected economic scenarios as follows;

Economic Scenario	2022 New Weightages (%)	2021 Previous Weightages (%)
Best	0	20
Base	20	30
Worst	80	50

Sri Lanka's sovereign rating was downgraded to "RD" from "CC" during the year. Accordingly, the Bank made additional provision for investment in foreign currency denominated sovereign instruments and foreign currency denominated lending to Government.

64.3 Liquidity risk

Liquidity is dynamic and can change according to both expected and unexpected business and market conditions. Liquidity risk arises when the Bank encounters difficulties in meeting payment obligations timely in a cost effective way or bank finds it difficult to sell its assets within appropriate amount of time at desirable price. The Bank maintains diversified funding sources in addition to its's deposit base while monitoring and managing it's future commitments daily basis to ensure effective liquidity management. Central Bank's (CBSL) repo window is one of the main sources of funding during the liquidity stress situation. Bank's Risk Management Framework plays a vital role to monitor that payment obligations of the bank are made in timely and efficient manner. In addition, Liquidity Risk Management Framework includes compliance with the regulatory requirements, optimum usage of liquid assets for higher returns and funding business expansion.

64.3.1 Liquidity Risk Exposure

The key liquidity measurement tool used by the bank is the liquid asset ratio which is one of the main regulatory liquidity measurement devices. Cash, cash equivalents and Investment in government securities are the main liquid assets which bank carefully manage to get an optimum return while maintaining healthy liquidity levels. In addition, Liquidity position is assessed in normal and stress scenarios relating to bank specific, market specific and combined conditions to ensure it's management at any circumstances.

	Domestic Banking		Off shore Banking	
	2022 (%)	2021 (%)	2022 (%)	2021 (%)
31 December	21.22	24.97	32.79	25.34
Average for the year	23.37	26.16	27.64	27.18
Regulatory minimum requirement	20.00	20.00	20.00	20.00

64.3.2 Maturity analysis of financial assets and liabilities

64.3.2.1 Non derivative financial assets and financial liabilities expected to be recovered or settled after 12 months from the reporting date

The table below depicts the carrying amounts of non derivative financial assets and financial liabilities expected to be recovered or settled after 12 months from the settlement date.

	Bank	
As at 31 December	2022 LKR '000	2021 LKR '000
Financial assets		
Non-derivative financial assets		
Financial assets measured at fair value through profit or loss	4,483,675	4,169,768
Financial assets measured at amortised cost – loans and advances	1,246,524,775	1,243,419,399
Financial assets measured at amortised cost – debt instruments	1,111,684,272	844,741,483
Financial assets measured at fair value through OCI	6,322,150	16,226,426
Total non-derivative financial assets	2,369,014,872	2,108,557,076
Financial liabilities		
Non-derivative financial liabilities		
Financial liabilities at amortised cost – due to depositors	248,014,772	77,820,693
Financial liabilities at amortised cost – other borrowings	58,196,922	46,160,573
Subordinated liabilities	53,372,602	56,254,905
Total non-derivative financial liabilities	359,584,296	180,236,171

Notes to the Financial Statements

64.3.2.2 Undiscounted cashflow of financial liabilities

The table below presents the undiscounted maturity of the bank's financial liabilities as at 31st December 2022.

31 December 2022	On demand LKR '000	Less than 3 months LKR '000	3 to 12 months LKR '000	1 to 5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Due to banks	11,514,897	–	–	–	–	11,514,897
Securities Sold Under Repurchase Agreements	–	184,677,045	–	–	–	184,677,045
Derivative financial instruments	–	921,033	–	–	–	921,033
Financial liabilities at amortised cost – due to depositors	989,255,381	1,263,861,028	859,092,295	317,787,701	3,576,984	3,433,573,388
Financial liabilities at amortised cost – other borrowings	303,945,327	25,820,523	2,657,748	59,452,683	–	391,876,281
Subordinated debentures	–	–	11,465,533	56,040,654	19,549,885	87,056,072
Total	1,304,715,605	1,475,279,629	873,215,576	433,281,038	23,126,869	4,109,618,716

31 December 2021	On demand LKR '000	Less than 3 months LKR '000	3 to 12 months LKR '000	1 to 5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Due to banks	17,936,070	–	–	–	–	17,936,070
Securities Sold Under Repurchase Agreements	–	170,428,673	–	–	–	170,428,673
Derivative financial instruments	–	380,328	–	–	–	380,328
Financial liabilities at amortised cost – due to depositors	1,031,468,452	708,254,611	1,101,418,097	76,925,090	2,922,588	2,920,988,838
Financial liabilities at amortised cost – other borrowings	288,578,014	100,360,987	21,763,640	32,295,307	18,082,361	461,080,309
Subordinated debentures	–	–	8,894,533	50,193,311	18,898,640	77,986,484
Total	1,337,982,536	979,424,599	1,123,181,737	109,220,397	21,004,949	3,570,814,218

64.4 Market Risk

Market risk is the risk of loss arising due to unfavorable movements in market variables such as interest rates, foreign exchange rates, equity prices and commodity prices. Exposure to the market risk arises mainly from Interest Rate Risk (IRR) and Foreign Exchange (FX) Risk. Exposure to commodity related risk is insignificant as it is limited to the extent of the fluctuation of the price of the Bank's gold stock.

The Bank classifies exposures into either trading or non-trading portfolios and manages each of these portfolios separately. The Market Risk for the foreign exchange and equity trading portfolios are managed and monitored based on a Value at Risk (VaR) methodology. Interest Rate Risk of the trading portfolio is managed through Price Value per Basis Point (PVBP) and modified duration. In addition trading and non trading portfolios are managed through risk monitoring, risk assessment, sensitivity analysis and stress testing. Interest Rate Risk in Banking Book (IRRBB) is monitored through sensitivity analysis.

64.4.1 Trading and non-trading portfolio – Bank

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

As at 31 December 2022			Market risk measurement	
	Note	Carrying amount LKR '000	Trading portfolios LKR '000	Non-trading portfolios LKR '000
Assets subject to market risk				
Cash and cash equivalents	22	128,401,532	–	128,401,532
Balances with Central Banks	23	70,494,529	–	70,494,529
Placements with banks	24	16,459,303	–	16,459,303
Securities purchased under resale agreements	25	1,480,403	–	1,480,403
Derivative financial instruments	26	57,155,486	57,155,486	–
Financial assets recognised through profit or loss – measured at fair value	27	10,280,055	10,280,055	–
Financial assets at amortised cost – loans and advances	28	2,325,594,329	–	2,325,594,329
– debt and other instruments	29	1,555,897,307	–	1,555,897,307
Financial assets measured at fair value through OCI	30	8,690,802	–	8,690,802
Investment in subsidiary companies	31	8,181,138	–	8,181,138
Investment in associate companies	32	92,988	–	92,988
Investment properties	33	2,414,640	–	2,414,640
Property, plant and equipment	34	34,845,004	–	34,845,004
Right of use assets/leasehold properties	35	3,002,305	–	3,002,305
Intangible assets	36	1,442,433	–	1,442,433
Deferred tax assets	37	15,577,466	–	15,577,466
Other assets	38	96,449,984	–	96,449,984
Total assets		4,336,459,704	67,435,541	4,269,024,163
Liabilities subject to market risk				
Due to banks	39	11,514,897	–	11,514,897
Securities sold under repurchase agreements	40	180,218,543	–	180,218,543
Derivative financial instruments	41	921,033	921,033	–
Financial liabilities at amortised cost – due to depositors	42	3,334,774,261	–	3,334,774,261
– other borrowings	43	390,489,543	–	390,489,543
Debt securities issued	44	–	–	–
Current tax liabilities	45	6,523,443	–	6,523,443
Deferred tax liabilities	37	–	–	–
Insurance provision – Life	46	–	–	–
Insurance provision – Non-life	46	–	–	–
Other liabilities	47	94,075,650	–	94,075,650
Subordinated liabilities	49	63,758,191	–	63,758,191
Total liabilities		4,082,275,561	921,033	4,081,354,528

Notes to the Financial Statements

As at 31 December 2021	Note	Carrying amount LKR '000	Market risk measurement	
			Trading portfolios LKR '000	Non-trading portfolios LKR '000
Assets subject to market risk				
Cash and cash equivalents	22	82,647,406	–	82,647,406
Balances with Central Banks	23	74,121,781	–	74,121,781
Placements with banks	24	4,957,417	–	4,957,417
Securities purchased under resale agreements	25	2,074,474	–	2,074,474
Derivative financial instruments	26	4,342,531	4,342,531	–
Financial assets recognised through profit or loss – measured at fair value	27	9,230,022	9,230,022	–
Financial assets at amortised cost – loans and advances	28	2,413,762,291	–	2,413,762,291
– debt and other instruments	29	1,082,179,876	–	1,082,179,876
Financial assets measured at fair value through OCI	30	18,302,556	–	18,302,556
Investment in subsidiary companies	31	8,181,138	–	8,181,138
Investment in associate companies	32	92,988	–	92,988
Investment properties	33	2,414,640	–	2,414,640
Property, plant and equipment	34	32,757,485	–	32,757,485
Right of use assets/leasehold properties	35	3,137,955	–	3,137,955
Intangible assets	36	1,039,985	–	1,039,985
Deferred tax assets	37	2,152,712	–	2,152,712
Other assets	38	61,888,586	–	61,888,586
Total assets		3,803,283,843	13,572,553	3,789,711,290
Liabilities subject to market risk				
Due to banks	39	17,936,070	–	17,936,070
Securities sold under repurchase agreements	40	162,156,413	–	162,156,413
Derivative financial instruments	41	380,328	380,328	–
Financial liabilities at amortised cost – due to depositors	42	2,866,894,010	–	2,866,894,010
– other borrowings	43	444,107,977	–	444,107,977
Debt securities issued	44	–	–	–
Current tax liabilities	45	647,993	–	647,993
Deferred tax liabilities	37	–	–	–
Insurance provision – Life	46	–	–	–
Insurance provision – Non-life	46	–	–	–
Other liabilities	47	46,042,365	–	46,042,365
Subordinated liabilities	49	64,358,855	–	64,358,855
Total liabilities		3,602,524,011	380,328	3,602,143,683

64.4.2 Interest rate risk

Interest rate risk is the probability of decline in value of an asset resulting from unexpected fluctuations in interest rates. Also interest rate risk affects to the bank's earnings and impacts negatively on Net Interest Income (NII) of the bank. Continuous monitoring and periodic repricing strategies ensures the interest rate risk is managed effectively.

Price Value per Basis Point (PVBP) and Duration analysis are monitored against the Risk Appetite Limits on daily basis in order to assess the impact of interest rate changes on Bank's trading portfolios of Treasury Bills and Bonds which are rate sensitive instruments. PVBP measures the change in the value of Treasury Bills and Bonds due to a "one basis point" change in the interest rates.

	2022 LKR	2021 LKR	Risk Appetite LKR
PVBP			
Investment in T Bills	3,088	2,550	600,000
Investment in T Bonds	75,767	869,969	1,800,000

Sensitivity analysis of interest sensitive assets and liabilities is carried out to monitor Interest Rate Risk in the Banking Book by placing those assets and liabilities in pre-determined maturity buckets considering its residual time to maturity and setting and monitoring gap limits and the repricing profile. The table below analyses the bank's interest rate risk exposure as a percentage on financial assets and liabilities.

2022	Up to 1 Month (%)	1-3 Months (%)	3-6 Months (%)	6-12 Months (%)	1-2 Years (%)	2-3 Years (%)	3-4 Years (%)	4-5 Years (%)	Over 5 Years (%)
Rate sensitive assets	13.0	12.6	5.9	7.9	10.2	17.0	6.3	5.2	22.0
Rate sensitive liabilities	16.2	17.2	12.2	15.7	3.9	3.9	3.4	3.4	24.2
GAP	-3.2	-4.7	-6.4	-7.8	6.3	13.2	2.9	1.8	-2.2

2021	Up to 1 Month (%)	1-3 Months (%)	3-6 Months (%)	6-12 Months (%)	1-2 Years (%)	2-3 Years (%)	3-4 Years (%)	4-5 Years (%)	Over 5 Years (%)
Rate sensitive assets	13.6	17.2	5.7	9.3	8.7	16.9	7.2	5.9	15.3
Rate sensitive liabilities	19.4	18.0	9.1	14.4	4.4	4.4	3.4	3.4	23.5
GAP	-5.8	-0.8	-3.4	-5.1	4.3	12.5	3.8	2.5	-8.2

64.4.3 Foreign Exchange Risk

Currency Risk is the risk of adverse fluctuation of value of foreign currency denominated financial instruments due to changes in foreign exchange rates which affects the financial performance or financial position of the Bank. The Bank carried a moderate level of open positions during the year which is within the prescribed limit of Central Bank of Sri Lanka. The Bank strategically managed the negative impacts of currency fluctuations to improve profit over foreign currency trading transactions which were carried out within a limited scale, while dealing with foreign currency funding requirements to cater essential goods importation. A comprehensive Limit Management Framework (LMF) including individual exposures as well as aggregated exposures prescribed by the IRMC govern the Foreign Exchange Risk. Stress testing analysis carried out on foreign exchange transactions assesses the impact to profit and CAR during stress situations to identify additional capital charge requirements.

Notes to the Financial Statements

Foreign Exchange Position as at 31st December	2022		2021	
	Net Overall Long LKR '000	Net Overall Short LKR '000	Net Overall Long LKR '000	Net Overall Short LKR '000
Currency				
United States Dollar	1,220,240		620,571	
Great Britain Pound	29,415		1,110	
Euro	340,914		96,060	
Japanese Yen		(819)	2,928	
Australian Dollar	2,279			(458)
Canadian Dollar	1,203		542	
Swiss Franc	896		1,049	
Singapore Dollar	14,808		13,908	
Hong Kong Dollar	6,905		4,783	
Sub Total	1,616,660	(819)	740,951	(458)
Other Currencies	13,220,700	(1,795,396)	23,795	(1,251)
Grand Total	14,837,360	(1,796,215)	764,746	(1,709)
Higher of Long or Short		14,837,360		764,746

Impact on Income Statement due to Exchange Rate Shocks

Exchange Rate Shocks	2022		2021	
	Net Open Position (After Rate Shocks) LKR '000	Impact on Income Statement as at 31st December 2022 LKR '000	Net Open Position (After Rate Shocks) LKR '000	Impact on Income Statement as at 31st December 2021 LKR '000
5%	14,095,492	(741,868)	726,509	(38,237)
10%	13,353,624	(1,483,736)	688,271	(76,475)
-5%	15,579,228	741,868	802,983	38,237
-10%	16,321,096	1,483,736	841,221	76,475

64.4.4 Equity Risk

Equity risk is the risk of deteriorating fair value of equity portfolio due to a change in the level of equity indices and price of individual stocks. Equity Risk is monitored by stipulating overall portfolio limits, dealer limits, loss limits and use of VaR methodology. Bank uses its all efforts to realise gains by selling shares in this economic downturn situation.

64.5 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank has allocated a significant amount of capital for Operational Risk as per the Basic Indicator Approach (BIA) despite the fact that the actual operational losses are far below the allocated capital. The holistic and comprehensive Operational Risk Management framework of the Bank ensures that all relevant risks are proactively managed.

64.6 Capital Management

Capital is the financial cushion against the risks assumed by the Bank. Proper capital management is therefore, vital in ensuring the sustainability and long term stability of the business. The primary objective of Capital Management is the maintenance of capital levels above the minimum regulatory requirement and optimum capital usage for maximum profitability. Given the size and the nature of the business, retained earnings is the primary source of internal capital generation of the Bank. Capital augmentation plan determines the sources of capital to ensure the achievement of pre-determined capital targets for business expansion and to accommodate stress scenarios.

64.6.1 Capital Adequacy and Internal Capital Adequacy Assessment Process (ICAAP)

The capital Adequacy is a measure of the financial strength of the Bank expressed as a Ratio of its capital to Risk Weighted Assets (RWAs) of credit, market and operational aspects of the business. This ratio indicates the bank's ability to maintain adequate capital to ensure financial soundness which ascertain how effectively it can sustain a reasonable level of risk. The Minimum total capital requirement for Domestic Systemically Important Banks (DSIBs) is 14% and requires bank to maintain Tier I capital level of 10%.

Internal Capital Adequacy Assessment Process (ICAAP) determines the level of capital to be maintained against all risks inline with the Basel requirement and guideline prescribed by the regulator. The capital planning is facilitated by the ICAAP based on the accomplished and planned business process that ensures the sufficient capital levels are maintained to cover all the risks the bank exposed to. The Bank uses internal models which are internationally accepted to assess the pillar II risks in ICAAP and carries out comprehensive Stress Testing using multiple scenarios to determine the total capital requirement. ICAAP factors out all possible qualitative risks such as reputation risk, compliance risk, strategic risk and IT Risk etc. and assessment of Concentration Risk ensures that the Bank has a well diversified portfolio which is not excessively exposed to any counterparty product, sector or a geographical segment.

Capital levels	2022 LKR '000	2021 LKR '000
Capital charge for credit risk weighed assets	216,511,528	172,957,147
Capital charge for credit market risk weighed assets	2,763,445	2,321,172
Capital charge for operational risk weighed assets	21,422,430	16,152,434
Tier I capital (Regulatory minimum – 10%)	12.41	14.25
Total Capital (Regulatory minimum – 14%)	15.38	17.77

9 COMPLIANCE ANNEXES

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Compliance Requirements as per Banking Act Direction No. 11 of 2007
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Compliance Requirements Enforced by Colombo Stock Exchange
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Compliance Requirements Enforced by the Central Bank of Sri Lanka
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Capital Adequacy
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Sections referred to in the Code	Compliance status
A	**Directors of the Board**
A.1	Appointments to the Board are made by the shareholder, the Government of Sri Lanka through the Minister under whose purview the Bank comes in terms of the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. A policy on Appointment of Directors is in place identifying the skill set that is required on the Board. Accordingly, the Directors who have skills and experience direct and lead the Bank with effective controls. As per the said Ordinance, the number of Directors permitted on the Board is only six members. As at year end of 2022 the Board consisted of four members due to the resignation of a Director in January 2022. The composition of the Board in 2022 as at this Annual Report date is given on pages 120 and 123 of this Annual Report. One new Director is undergoing the approval process of the Central Bank of Sri Lanka, the regulator. The skills and experience of the Directors are indicated in the details about them.
A.1.1	**Board meetings** The Board meetings are held on a fortnightly basis and special meetings are scheduled as and when the need arises. The schedule of meetings is in place by the beginning of the year and the structure of submitting information to the Board has been agreed upon. Necessary information is submitted as agreed to enable decision-making. During the year under review the Board met 24 times and attendance at meetings is summarised on page 127.
A.1.2	**Role and responsibilities of the Board** The role and responsibilities of the Board are incorporated in the Board Charter which was last reviewed in the year 2022 with the review of the Corporate Governance Policy of the Bank.
A.1.3	**To act in accordance with the laws of the country** The Bank is regulated as per the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments and the Banking Act No. 30 of 1988 and its amendments. Additionally, directions issued by the Regulators viz., the Central Bank of Sri Lanka, any other regulator where the Bank has its overseas Branches, Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange apply to Bank of Ceylon. The Board acts in accordance with the applicable laws. Access to Independent Professional Advice A Policy on Directors' Access to Independent Professional Advice is in place whereby Directors are able to seek independent professional advice on a needs basis at the Bank's expense. This Policy was reviewed during the year 2022.
A.1.4	**Advice and services of the Company Secretary** The members of the Board have access to the advice and services of the Secretary to the Board/Secretary, Bank of Ceylon who is an Attorney-at-Law. The Secretary to the Board is held responsible for ensuring that Board procedures are followed and compliance with applicable rules and regulations, directions and statutes and keeping and maintaining minutes and relevant records. Any question of the removal of the Secretary to the Board/Secretary, Bank of Ceylon is a matter for the full Board.
A.1.5	**Independent judgement** The Board of Bank of Ceylon bring independent judgement to bear in discharging their duties and responsibilities on matters relating to the Board including strategy, performance, resource allocation, risk management, compliance and standards of business conduct.
A.1.6	**Dedicating adequate time and effort to matters of the Board and the Bank** The agenda and Board memoranda are circulated among the Board members seven days prior to the meeting through a secure e-Solution enabling them to dedicate sufficient time before a meeting to review Board memoranda and call for additional information and clarifications. Pre-Board meetings are scheduled when deemed necessary.
A.1.7	**Calling of resolution** The Board members can individually submit proposals to the Board when they feel that they are in the best interests of the Bank and a resolution can be presented to the Board.

Compliance with Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka

Sections referred to in the Code	Compliance status
A.1.8	**Training for Directors** When first appointed to the Board, the Directors undergo an induction programme covering the applicable regulatory requirements, Bank's history, organisational structure, details of subsidiaries and associates, products and services, Directors' responsibilities and are provided with a Board Manual incorporating all the above given in e-form through the Bank's electronic support system. Directors are encouraged to attend relevant training programmes and are apprised of the latest developments in the Bank and external environment by members of the Corporate Management or through external resource personnel. Directors did not attend any specific training programmes during the year.
A.2	**Division of responsibilities between the Chairman and Chief Executive Officer (CEO)** The positions of the Chairman and the Chief Executive Officer (referred to as the "General Manager" in the Bank) are held by two separate individuals. The Chairman is a Non-Executive Director. There is a clear division of responsibilities between the Chairman and the General Manager and the Board Charter adopted by the Bank clearly defines these responsibilities.
A.3	**Chairman's Role** The Chairman of Bank of Ceylon provides leadership to the Board, preserves order and facilitates the effective discharge of the Board's functions. The agenda for Board meetings was prepared by the Secretary, Bank of Ceylon/Secretary to the Board, which is approved by the Chairman, based primarily on the memoranda submitted through the General Manager and any other relevant matters proposed by a Director/s. The agenda covers matters relating to strategy, performance, resource allocation, risk management and compliance. Sufficiently detailed information on matters included in the agenda is circulated to Directors well ahead of the meetings through a secure e-Solution. All Directors are informed of their duties and responsibilities (which are enshrined in the Board Charter) and the Board subcommittee structure of the Bank which assists the Board in discharging its responsibilities. The Board of Bank of Ceylon consists entirely of Non-Executive Directors and they effectively contribute within their respective capabilities, for the benefit of the Bank. Directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusion of matters of corporate concern on the agenda. The views of Directors on issues under consideration are ascertained and a record of such deliberations are reflected in the minutes in detail.
A.4	**Financial acumen** The Directors have sufficient financial acumen and knowledge to guide the Bank which they have acquired through the businesses/professions in which they are involved and from qualifications held.
A.5	**Board Balance** The Board of Bank of Ceylon is always comprised of Non-Executive Directors. When Alternate Directors are appointed, it is also ensured that they are Non-Executive.
A.6	**Provision of timely information** The agenda and Board/Subcommittee memoranda required for a Board/subcommittee meeting are provided to Directors through the available e-Solution seven days prior to the meeting for them to review the memoranda in advance and come up with questions and discussion points and to request for additional information, if necessary. Pre-Board meetings are arranged where necessary to clarify matters and to facilitate the smooth functioning of the Board meetings. The members of the Corporate Management are available if the Directors wish to obtain further information or for any clarification. Board meeting minutes are made available to the Directors within 10 days from the meeting.
A.7	**Appointments to the Board** Appointments to the Board are made by the Government of Sri Lanka, through the Minister under whose purview the Bank falls. The requisite regulatory requirements relating to appointment of new Directors are complied with. There is an internal policy in place with regard to the appointment of Directors which has been shared with the relevant Ministry.

Sections referred to in the Code	Compliance status
A.8	**Reappointment** Every Director appointed shall hold office for a period of three years, unless he is removed from office earlier or he vacates his office in terms of the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. In either case, he is eligible to be reappointed. **Resignation** An appointed Director may resign from his directorship by a letter addressed to the Minister under whose purview the Bank falls and any Director who vacates office by ending the term is eligible for Re-appointment. If it is due to a special reason, it is expected to be indicated in their resignation letter. Mr Jayampathy Molligoda, Director resigned on 31 January 2022 on personal grounds.
A.9	**Appraisal of Board and its subcommittees** An annual self-evaluation of its own performance is undertaken by the Board and Board subcommittees to ensure that Board's and that of its subcommittees' responsibilities are satisfactorily discharged. The collective outcome is reviewed and addressed by the Board. During the year under review self evaluation of the Board was carried out facilitated through the Nomination and Corporate Governance Committee of the Board. Also the members of the Board subcommittees collectively evaluated the performance of the subcommittees for effectiveness and efficiency.
A.10	**Disclosure of information in respect of Directors in the Annual Report** The following information pertaining to Directors are included in the Annual Report: Profiles of the Directors covering name, qualifications, nature of expertise and whether Executive/Non-Executive are indicated on pages 26 to 29. Related party information indicated on pages 320 and 322 Directorships in other companies indicated on pages 26 to 29. Membership of subcommittees and the number of Board and subcommittee meetings attended during the year are indicated on page 127.
A.11	**Appraisal of the Chief Executive Officer/General Manager** The performance evaluation of the General Manager is carried out annually based on the targets set at the commencement of the fiscal year in line with Corporate Plan by the Human Resources and Remuneration Committee and the final report is submitted to the Board.
B	**Directors' remuneration**
B .1	There is a formal Remuneration Policy in place for the Chairman and Board of Directors (all Non-Executive). The above policy is formulated based on the circulars issued by the Government, the shareholder, from time to time and other applicable legislation.
B.2	The Bank's Human Resources and Remuneration Committee accordingly has no role in deciding the remuneration of Directors. (It however recommends the remuneration of Senior Executives.)
B.3	**Disclosure of remuneration** The Statement of Remuneration Policy for the Chairman and the Directors is contained in page 129 of this Annual Report. Details of remuneration paid to the Board as a whole is indicated on page 208. The composition of the Human Resources and Remuneration Committee appears on page 134.
C	**Relations with shareholders**
C.1	The Government of Sri Lanka being the sole shareholder of the Bank, the Bank's communication with the shareholder happens in various forms. A Government representative (an officer from the Ministry of Finance) is on the Board, directly representing the shareholder and the Annual Report is placed before the Parliament of Sri Lanka and is open to question by the Parliament.

Compliance with Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka

Sections referred to in the Code	Compliance status
C.2	**A Board approved Communication Policy is in place.** Major issues and concerns of the shareholder viz. Government of Sri Lanka are discussed during the Board meetings with the participation of the direct Government representative on the Board and is elevated to the Ministry or higher levels as may be necessary. A Communication Policy is in place guiding the Bank on effective communication with internal and external stakeholders and was reviewed during the year under review.
C.3	Further in order to comply with requirements of the Bank of Ceylon Ordinance No. 53 of 1938, Banking Act No. 30 of 1988, Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021 and their amendments and Listing Rules of the Colombo Stock Exchange; as applicable, disclose to the relevant Ministry all proposed major and material transactions the Bank wishes to enter into. There were no transactions which would materially affect the Bank's performance, its net asset base or related party transactions during the year other than what is disclosed under Notes to the Financial Statements on pages 320 to 322.
D	**Accountability and audit**
D.1	**Financial and Business Reporting (The Annual Report)** All measures are taken to ensure that the Annual Report presents a balanced assessment of the Bank's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects in an easily comprehensible manner. The Bank's Financial Statements presented in the Annual Report are balanced, understandable and prepared in accordance with the relevant laws and regulations with any deviation being clearly explained and portrays a true and fair view. It also ensures that a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented to meet statutory requirements. The Chief Financial Officer and the General Manager of the Bank give a statement indicating that the financial statements provide a true and fair view of the state of affairs of the Bank of Ceylon and its Group. The Financial Statements are reviewed and deliberated by the Board Audit Committee before recommending to the Board for its approval for publication. For the purpose of fulfilling the disclosure requirements, the following statements are included in the Annual Report - Annual Report of the Directors on the State of Affairs of the Bank on pages 158 to 162. Directors' Statement on Internal Control over Financial Reporting on pages 165 to 166. Management Discussion and Analysis under Our Performance and Delivering Values from pages 52 to 119. Report on Related Party Transactions of the Key Management Personnel and their Close Family Members appearing on pages 320 to 322. Statement of Directors' Responsibility for Financial Reporting on page 168. Report of the Auditor General on pages 169 to 173.
D.2	**Bank's existing process on risk management and internal controls** The Board is responsible for determining the nature and extent of the principal risks that it is willing to take in achieving its strategic objectives and the Board Integrated Risk Management Committee is there to facilitate the Board in fulfilling its oversight responsibilities in regard to the existence, operation and effectiveness of the risk management programmes, policies and practices employed by the Bank to manage various types of risks, including compliance programmes. The Board Audit Committee assists the Board in achieving the objective of the Bank's system of internal controls including operational, financial and compliance among other responsibilities of the Committee. The Board monitors the Bank's risk management and internal control systems through the Integrated Risk Management Committee and Audit Committee respectively and carries out a review of the said Committees' effectiveness annually. Bank of Ceylon has a well-equipped Internal Audit Department to carry out the internal audit function of the Bank. The Auditor General is the External Auditor of the Bank.

Sections referred to in the Code	Compliance status
D.3	**Audit Committee** The Board Audit Committee comprised exclusively of Non-Executive Directors during the year under review. The Chairman of the Committee during the year under review was an Independent Non- Executive Director. The Chairman and the members of the Audit Committee had relevant experience in financial reporting and control. The Board Audit Committee assists the Bank's Board in fulfilling its oversight responsibilities. The Board Audit Committee ensures the carrying out of the reviews of the processes and effectiveness of risk management and internal controls and audit reports are submitted to the Committee. The role and responsibilities of the Audit Committee are disclosed in the Audit Committee Report appearing on pages 130 and 131 of this Annual Report. The Audit Committee has a written Terms of Reference which clearly defines its role and responsibilities and it was reviewed during the year. The activities performed by the Committee during the year under review appear on pages 130 and 131 of this Annual Report.
D.4	**Related party transactions** The Bank has a Board approved policy on related party transactions in place covering related parties, their transactions and restrictions on offering more favourable treatment to related parties in order for the Board members to avoid any conflict of interest in this regard. The Report on the Related Party Transactions of the Key Management Personnel and their Close Family Members appear on pages 320 to 322 of this Annual Report.
D.5	**Code of Business Conduct and Ethics** The Bank maintains a Code of Ethics for the employees of the Bank and a separate Code of Business Conduct and Ethics for the Directors and an acknowledgement is obtained for affirmation of compliance with the Codes. A whistleblower policy is in place which enables prompt reporting of illegal and fraudulent reporting.
D.6	**Corporate governance disclosures** The Corporate Governance Report which is appearing on pages 120 to 156 discloses the extent of compliance with the provisions of the Code of Best Practice on Corporate Governance.
F F.1 and F.2	**Shareholder** The Government of Sri Lanka is the sole shareholder of the Bank.
G	**Internet of things and cybersecurity** The Bank has a process in place to identify as to how the Bank's business model, IT devices within and outside the Bank can connect to the Bank's network to send and receive information and the consequent Cybersecurity risks that may affect the business. A Board approved Information Security Policy is in place which provides the management with direction and support to ensure protection of the Bank's information assets. In addition, the Integrated Risk Management Committee assists the Board in ensuring that the Bank is protected from Cybersecurity threats by recommending and following up on vulnerability assessments and reporting to the Board. Processes to identify and manage Cybersecurity risks are included in the Risk Management Report of this Annual Report on page 140 to 156. The Bank has appointed a Chief Information Security Officer, in order to implement the Cybersecurity Risk Management Policy. The Board Information and Communication Technology Committee assists the Board of Directors in fulfilling its oversight responsibilities related to information and communication technology and provides appropriate advice and recommendations to facilitate decision-making by the Board in regard to Cybersecurity measures amongst others.
H	**Environment, Society and Governance (ESG)** ESG related disclosures appears in pages 55 to 59 of this Annual Report.

9 Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of compliance during the year 2022
3. (1) The Responsibilities of the Board		
3. (1) (i)	The Board shall strengthen the safety and soundness of the Bank by ensuring the implementation of the following:	
	a. Approve and oversee the Bank's strategic objectives and corporate values and ensure that these are communicated throughout the Bank;	Complied with. Strategic objectives are formulated and values are reviewed at sessions held with the participation of the Board and the Key Management Personnel. The Board approved Corporate Plan together with the corporate values were communicated to staff up to Branch Manager level and reinforced by the Corporate Management Team. All other levels of staff were informed through regular briefing sessions and at meetings. The Board approved Corporate Plan for 2023 to 2025 and the Budget for 2023 are in place. The Corporate values are included in the intranet.
	b. Approve the overall business strategy of the Bank, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least the next three years;	Complied with. The Bank's overall Business Strategy is included in the rolling Corporate Plan for a period of three years and the related Action Plan for the same period is prepared and approved by the Board. The risk appetite, risk management framework and mechanisms have also been approved by the Board in line with the strategic plan. Measurable goals for the Bank as a whole have been set and performance is measured in line with these goals.
	c. Identify the principal risks and ensure implementation of appropriate systems to manage the risks prudently;	Complied with. The Board has appointed a Board Integrated Risk Management Committee tasked with approving the Bank's Integrated Risk Management Policy, defining the risk appetite, identifying principal risks, setting governance structures and implementing systems to measure, monitor and manage the principal risks. The Bank has implemented a process where the Board members discuss the risks arising out of new strategies and the ways and means to mitigate such risks. A Board approved Integrated Risk Management Policy covering all areas of major risks is in place. The following reports also provide further details in this regard: • Risk Management Report on pages 140 to 156. • Integrated Risk Management Committee Report on pages 132 and 133.
	d. Approve implementation of a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers;	Complied with. Board has approved and implemented a Communication Policy covering all stakeholders which was reviewed during the year under review.
	e. Review the adequacy and the integrity of the Bank's internal control systems and management information systems;	Complied with. The Board Audit Committee which reports to the Board is tasked with reviewing the adequacy and the integrity of the Bank's Internal Control System and Financial Reporting. This Committee reviewed reports from the Internal Audit Department, which reports directly to the Audit Committee and from the External Auditors in carrying out this task. The Board Audit Committee regularly follows up on the rectifications of the findings of the regulators as a tool for further strengthening the Internal Control System. Internal Audit Department is tasked with the responsibility of conducting information systems audits to assess the effectiveness of the Management Information System (MIS). The Board has reviewed the adequacy of the MIS and the Internal Control System.

Section	Principle	Level of compliance during the year 2022
	f. Identify and designate Key Management Personnel;	Complied with. The Bank has identified the Assistant General Managers and officers in the grades above that as well as the officers in allied grades as Key Management Personnel (KMP) of the Bank for corporate governance purposes.
	g. Define the areas of authority and key responsibilities for the Board of Directors themselves and for the Key Management Personnel;	Complied with. Areas of authority and key responsibilities have been defined for the Directors and KMP through the Board Charter and position descriptions of KMP. A Board approved Board Charter is in place which was reviewed during the year under review.
	h. Ensure that there is appropriate oversight of the affairs of the Bank by Key Management Personnel, that is consistent with Board policy;	Complied with. Performance against the Bank's Corporate Plan is reviewed by the Board based on the Action Plan. Key Management Personnel make presentations where necessary to the Board on matters under their purview and are also called in by the Board as and when needed to explain matters relating to their areas.
	i. Periodically assess the effectiveness of the Board Directors' own governance practices, including: (ii) the management of conflicts of interests; and (iii) the determination of weaknesses and implementation of changes where necessary;	Complied with. A self-evaluation of the performance of the Board is carried out annually assessing its own governance practices. Appointments to the Board are made by the shareholder, the Government of Sri Lanka through the Minister under whose purview the Bank comes in terms of the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. A Board approved Policy for the Appointment of Directors to the Board of Bank of Ceylon is in place. A Board approved Conflict of Interest Policy is in place. These two policies were reviewed during the year.
	j. Ensure that the Bank has an appropriate succession plan for Key Management Personnel;	Complied with. A Board approved succession plan for KMP is in place which was reviewed, revised and recommended to the Board by the Nomination, and Corporate Governance Committee. Process improvements are carried out in respect of succession planning.
	k. Meet regularly, on a needs basis, with the Key Management Personnel to review policies, establish communication lines and monitor progress towards corporate objectives;	Complied with. Key Management Personnel are regularly present or are called in for discussions at the meetings of the Board and its subcommittees on policy and other matters relating to their areas. Progress towards the corporate objectives are monitored based on the Corporate Plan.
	l. Understand the regulatory environment and ensure that the Bank maintains an effective relationship with regulators;	Complied with. On appointment as Directors, they are furnished with all applicable regulatory requirements pertaining to the Bank with the "Board Manual" given in e-form. They are also briefed about developments in the regulatory environment at Board meetings to ensure that their knowledge is updated regularly to facilitate effective discharge of their responsibilities. Any relevant communication from a regulator is brought to the notice of the Board. Information pertaining to Compliance Reports submitted to the Central Bank of Sri Lanka which includes all returns to regulators are presented to the Board monthly and monitored by the Board. The Board is informed of regulatory requirements pertaining to Chennai, Maldives, and Seychelles operations of the Bank through the reports submitted on the performance of overseas branches.

Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of compliance during the year 2022
	m. Exercise due diligence in the hiring and oversight of External Auditors.	Complied with. As provided for in the Constitution of the country, the Auditor General is the External Auditor of the Bank as it is a state-owned enterprise.
3 (1) (ii)	The Board shall appoint the Chairman and the Chief Executive Officer and define and approve the functions and responsibilities of the Chairman and the Chief Executive Officer in line with Direction 3 (5) of these Directions.	Complied with when read in conjunction with Direction No. 3 (9) (ii). The Chairman is appointed by the Minister under whose purview the Bank falls in terms of the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. The Board is vested with the authority to appoint the Chief Executive Officer referred to as the General Manager in the Bank of Ceylon with the approval of the said Minister. Mr K E D Sumanasiri, was the General Manager of Bank of Ceylon during the year 2022. Mr W P R P H Fonseka, was appointed as the General Manager of Bank of Ceylon with effect from 14 January 2023 upon the retirement of Mr Sumanasiri. An internally formulated document is in place giving the criteria for selection of General Manager for Bank of Ceylon and it was reviewed during the year.
3 (1) (iii)	The Board shall meet regularly and Board meetings shall be held at least twelve times a year at approximately monthly intervals. Such regular Board meetings shall normally involve active participation in person of a majority of Directors entitled to be present. Obtaining the Board's consent through the circulation of written resolutions/papers shall be avoided as far as possible.	Complied with. Regular fortnightly Board meetings are held and special meetings are scheduled as and when the need arises. During the year under review the Board met twenty-four times. The Bank endeavours to minimise obtaining approval via circular resolutions and it is done only on an exceptional basis and such resolutions are ratified by the Board at the next meeting. During the year 2022, thirteen such resolutions have been adopted by circulation.
3 (1) (iv)	The Board shall ensure that arrangements are in place to enable all Directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the Bank.	Complied with. Meetings are scheduled and the Board is informed at the beginning of each calendar year to enable submission of proposals to the agenda for regular Board meetings.
3 (1) (v)	The Board procedures shall ensure that notice of at least seven days is given of a regular Board meeting to provide all Directors an opportunity to attend. For all other Board meetings, reasonable notice may be given.	Complied with. Notice of meetings are given through an Annual Calendar at the beginning of the year. Additionally, before every meeting another notice is sent giving more than seven days notice. Reasonable notice is given before any special meeting and consent of all Directors are obtained prior to scheduling a special meeting.
3 (1) (vi)	The Board procedures shall ensure that a Director who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a Director. Participation at the Directors' meetings through an alternate Director shall, however, be acceptable as attendance.	Complied with. The Directors are apprised of the need for their attendance to be in accordance with the Corporate Governance Code. Details of the Directors' attendance are set out on page 127. Directors' attendance has been in compliance with this Direction.
3 (1) (vii)	The Board shall appoint a Company Secretary who satisfies the provisions of Section 43 of the Banking Act No. 30 of 1988, whose primary responsibilities shall be to handle the secretariat services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Complied with. The Secretary, Bank of Ceylon/Secretary to the Board is an Attorney-at-Law, whose credentials/qualifications are in compliance with the provisions of Section 43 of the Banking Act No. 30 of 1988 and its amendments.

Section	Principle	Level of compliance during the year 2022
3 (1) (viii)	All Directors shall have access to advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable rules and regulations are followed.	Complied with. All members of the Board have the opportunity to obtain the advice and services of the Secretary to the Board who is an Attorney-at- Law and who is responsible to the Board for follow-up of Board procedures, compliance with rules and regulations, directions and statutes.
3 (1) (ix)	The Company Secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any Director.	Complied with. The Secretary, Bank of Ceylon/Secretary to the Board maintains the minutes of the Board meetings and circulates same to all Board members through a secure e-Solution. The minutes are approved at the subsequent Board meeting. Additionally, the Directors have access to the past Board papers and minutes through the same e-Solution.
3 (1) (x)	Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes shall also serve as a reference for regulatory and supervisory authorities to assess the depth of deliberations at the Board meetings. Therefore, the minutes of a Board meeting shall clearly contain or refer to the following: b. the matters considered by the Board; c. the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; d. the testimonies and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; e. the Board's knowledge and understanding of the risks to which the Bank is exposed and an overview of the risk management measures adopted; and f. the decisions and Board resolutions.	Complied with. Minutes of the meetings are kept covering the given criteria.
3 (1) (xi)	There shall be a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Bank's expense. The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Director or Directors to discharge his/her/their duties to the Bank.	Complied with. A Policy for Directors' Access to Independent Professional Advice is in place which was reviewed during the year under review. The Directors are able to obtain independent professional advice when deemed necessary based on this policy.
3 (1) (xii)	Directors shall avoid conflicts of interests, or the appearance of conflicts of interest, in their activities with, and commitments to, other organisations or related parties. If a Director has a conflict of interest in a matter to be considered by the Board, which the Board has determined to be material, the matter should be dealt with at a Board meeting, where Independent Non-Executive Directors [refer to Direction 3 (2) (iv) of these Directions] who have no material interest in the transaction, are present. Further, a Director shall abstain from voting on any Board resolution in relation to which he/she or any of his/her close relation or a concern, in which a Director has substantial interest, is interested and he/she shall not be counted in the quorum for the relevant agenda item at the Board meeting.	Complied with. When there is a situation of a Conflict of Interest the Directors are conscious of their obligation to deal in accordance with the applicable regulations. A Board approved Policy on Conflict of Interest is in place, which was reviewed during the year under review. As a practice at every Board meeting, Directors are required to declare any interest in contracts/new appointments to any other Board or Institution. Directors abstain from participating in the discussions, voicing their opinion or approving in situations where there is a conflict of interest.
3 (1) (xiii)	The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the Direction and control of the Bank is firmly under its authority.	Complied with. Powers reserved for the Board are included in the Board Charter.

Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of compliance during the year 2022
3 (1) (xiv)	The Board shall, if it considers that the Bank is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of Bank Supervision of the situation of the Bank prior to taking any decision or action.	Complied with. Such a situation has not arisen during the year 2022. Monthly Financial Statements submitted to the Board assures the Board of the Bank's solvency.
3 (1) (xv)	The Board shall ensure that the Bank is capitalised at levels as required by the Monetary Board in terms of the Capital Adequacy Ratio and other prudential grounds.	Complied with. The Board ensures that the Bank is capitalised at levels required by the Monetary Board in terms of the Capital Adequacy Ratio (CAR) and other prudential grounds. Calculation of CAR is submitted to the Board with the monthly Financial Statements of the Bank.
3 (1) (xvi)	The Board shall publish in the Bank's Annual Report, an Annual Corporate Governance Report setting out the compliance with Direction 3 of these Directions.	Complied with. These disclosures are part of the Corporate Governance Report in the Bank's Annual Report.
3 (1) (xvii)	The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually, and maintain records of such assessments.	Complied with. A scheme of self-assessment is adopted and undertaken at the end of the year. The self-assessment reports of the Board members are maintained by the Secretary, Bank of Ceylon/ Secretary to the Board.
3 (2) The Board's Composition		
3 (2) (i)	The number of Directors on the Board shall not be less than 7 and not more than 13.	According to the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments the number of Directors permitted on the Board of Bank of Ceylon is six. Composition of the Board in 2022 is given under Direction No. 3 (2) (viii) of this compliance report. Details of Board are included in page 123 of the Annual Report. Amendments proposed to the Bank of Ceylon Ordinance which include the increase of number of Directors to accommodate the requirement of this Direction is in the approval process.
3 (2) (ii)	The total period of service of a Director other than a Director who holds the position of Chief Executive Officer shall not exceed nine years, and such period in office shall be inclusive of the total period of service served by such Director up to 1 January 2008.	Complied with. Directors of Bank of Ceylon have been in office for a period less than nine years. Details of their appointments/resignations are included in the Annual Report.
3 (2) (iii)	An employee of a bank may be appointed, elected or nominated as a Director of the Bank (hereinafter referred to as an "Executive Director") provided that the number of Executive Directors shall not exceed one-third of the number of Directors of the Board. In such an event, one of the Executive Directors shall be the Chief Executive Officer of the Bank.	Complied with. Bank of Ceylon Ordinance does not provide for Executive Directors in Bank of Ceylon.
3 (2) (iv)	The Board shall have at least three Independent Non-Executive Directors or one-third of the total number of Directors, whichever is higher. This sub-direction shall be applicable from 1January 2010 onwards. A Non-Executive Director shall not be considered independent if he/she: a. has direct and indirect shareholdings of more than 1% of the Bank; b. currently has or had during the period of two years immediately preceding his/her appointment as director, any business transactions with the Bank as described in Direction No. 3 (7) hereof, exceeding 10% of the regulatory capital of the Bank; c. has been employed by the Bank during the two-year period immediately preceding the appointment as Director;	Complied with. Only the Director representing the Ministry of Finance is considered Non-Independent since he represents the shareholder, the Government of Sri Lanka. They are identified under the profiles of the Directors and also under Direction No. 3 (2) (viii) below.

Section	Principle	Level of compliance during the year 2022
	d. has a close relation who is a Director or Chief Executive Officer or a member of Key Management Personnel or a material shareholder of the Bank or another bank. For this purpose, a "close relation" shall mean the spouse or a financially dependant child; e. represents a specific stakeholder of the Bank; f. is an employee or a Director or a material shareholder in a Company or business organisation: i. which currently has a transaction with the Bank as defined in Direction No. 3 (7) of these Directions, exceeding 10% of the regulatory capital of the Bank; or ii. in which any of the other Directors of the Bank are employed or are Directors or are material shareholders; or iii. in which any of the other Directors of the Bank have a transaction as defined in Direction No. 3 (7) of these Directions, exceeding 10% of regulatory capital in the Bank.	
3 (2) (v)	In the event an Alternate Director is appointed to represent an Independent Director, the person so appointed shall also meet the criteria that applies to the Independent Director.	Complied with. No Alternate Director has been appointed to represent any Independent Director.
3 (2) (vi)	Non-Executive Directors shall be persons with credible track records and/or have necessary skills and experience to bring an independent judgement to bear on issues of strategy, performance, and resources.	Complied with. Present Directors' profiles appearing on pages 27 to 29 spell out the necessary information.
3 (2) (vii)	A meeting of the Board shall not be duly constituted, although the number of Directors required to constitute the quorum at such meeting is present, unless more than one half of the number of Directors present at such meeting are Non-Executive Directors. This sub-direction shall be applicable from 1 January 2010 onwards.	Complied with. All the Board members of Bank of Ceylon are Non-Executive Directors.
3 (2) (viii)	The Independent Non-Executive Directors shall be expressly identified as such in all corporate communications that disclose the names of Directors of the Bank. The Bank shall disclose the composition of the Board, by category of Directors, including the names of the Chairman, Executive Directors, Non-Executive Directors and Independent Non-Executive Directors in the Annual Corporate Governance Report.	Complied with. Directors during the year 2022 and as at present are given below: • **Mr Kanchana Ratwatte** Chairman/Independent Non-Executive Director (Appointed w.e.f. 02 January 2020 and ceased to be a Director w.e.f. 01 January 2023) • **Mr R M Priyantha Rathnayake** Non-Executive Ex Officio Director (Appointed w.e.f. 28 April 2020) • **Mr G Harsha Wijayawardhana** Independent Non-Executive Director (Appointed w.e.f. 14 January 2020 and ceased to be a Director w.e.f. 13 January 2023) • **Mr A C Manilka Fernando** Independent Non-Executive Director (Appointed w.e.f. 21 April 2020 and ceased to be a Director w.e.f. 21 April 2023) • **Major General (Rtd.) G A Chandrasiri VSV** Independent Non-Executive Director (Appointed w.e.f. 8 January 2021) • **Mr Jayampathy Molligoda** Independent Non-Executive Director (Appointed w.e.f. 18 February 2021 and resigned on 31 January 2022) • **Prof. Kithsiri Liyanage** Independent Non-Executive Director (Appointed w.e.f. 31 March 2023)

Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of compliance during the year 2022
3 (2) (ix)	There shall be a formal, considered and transparent procedure for the appointment of new Directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	Appointments to the Board are made by the shareholder, the Government of Sri Lanka through the Minister under whose purview the Bank falls in terms of the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. A Board approved policy for the appointment of Directors to the Board of Bank of Ceylon is in place describing the skills, experience, knowledge etc. required to be considered to be appointed to the Board and the appointment process which is shared with the relevant Ministry.
3 (2) (x)	All Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first General Meeting after their appointment.	This does not arise since the relevant Minister appoints Directors.
3 (2) (xi)	If a Director resigns or is removed from office, the Board shall a. announce the Director's resignation or removal and the reasons for such removal or resignation including but not limited to information relating to the relevant Director's disagreement with the Bank, if any; and b. issue a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.	Complied with. The Government of Sri Lanka, the sole shareholder of the Bank does the appointments as well as the removals through the Minister under whose purview the Bank falls. Any resignation is also referred to the same Minister. The Central Bank of Sri Lanka and the Colombo Stock Exchange are kept informed of the resignations. The shareholder of the Bank is the Government and the changes to the Directorate are carried out by the Government through the subject Minister.
3 (2) (xii)	A Director or an employee of a bank shall not be appointed, elected or nominated as a Director of another bank except where such bank is a subsidiary company or an associate company of the first mentioned bank.	Neither Directors nor employees of Bank of Ceylon are Directors of another Bank, other than for the appointment of a Deputy General Manager to the Pradeshiya Sanwardana Bank as per the requirements of the enabling enactments of this Bank (Pradeshiya Sanwardana Bank Act No. 41 of 2008). Prior to appointment as a Director to the Board of Bank of Ceylon, an affidavit is obtained in accordance with Section 42 (1) and 76H of the Banking Act No. 30 of 1988 complying with Direction No. 8 of 2019 issued on 19 December 2019 ensuring this position.
3 (3) Criteria to Assess the Fitness and Propriety of Directors		
3 (3) (i)	The age of a person who serves as Director shall not exceed 70 years. In this context, the following general exemption shall apply: A Director who has reached the age of 70 years as at 1 January 2008 or who would reach the age of 70 years prior to 31 December 2008 may continue in office for a further maximum period of three years commencing 1 January 2009.	Complied with. None of the Directors of the Bank are over 70 years of age.
3 (3) (ii)	A person shall not hold office as a Director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the Bank.	Complied with. No Director holds directorships of more than 20 companies/ entities, etc.
3 (3) (iii)	A Director or a Chief Executive Officer of a licensed bank operating in Sri Lanka shall not be appointed as a Director or a Chief Executive Officer of another licensed bank operating in Sri Lanka before the expiry of a period of six months from the date of cessation of his/her office at the licensed bank in Sri Lanka. Any variation thereto in exceptional situations such as where expertise of retiring bankers may be required when reconstituting Boards of licensed banks which need restructuring, shall be subject to the prior approval of the Monetary Board. In this regard, licensed banks shall ensure to adhere to the requirement of the cooling-off period when appointing Directors or Chief Executive Officer. If a Director is appointed to the licensed bank by an appointing authority violating these Directions, the licensed bank shall take steps to prevent such appointee from exercising any powers or enjoying any privileges or against this direction.	Complied with. This situation has not arisen during the year under review.

Section	Principle	Level of compliance during the year 2022
3 (4) Management Functions Delegated by the Board		
3 (4) (i)	The Directors shall carefully study and clearly understand the delegation arrangements in place.	Complied with. The Board periodically reviews and approves the delegation arrangements in place and ensures that the extent of delegation addresses the needs of the Bank whilst enabling the Board to discharge their functions effectively. The provisions in the governing ordinance are considered in this process.
3 (4) (ii)	The Board shall not delegate any matters to a Board Committee, Chief Executive Officer, Executive Directors or Key Management Personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	
3 (4) (iii)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Bank.	
3 (5) The Chairman and Chief Executive Officer		
3 (5) (i)	The roles of Chairman and Chief Executive Officer shall be separate and shall not be performed by the same individual.	Complied with. The positions of the Chairman and the Chief Executive Officer referred to as the General Manager in Bank of Ceylon are held by two different individuals. A Board Charter is in place defining the responsibilities of the Chairman and the General Manager.
3 (5) (ii)	The Chairman shall be a Non-Executive Director and preferably an Independent Director as well. In the case where the Chairman is not an Independent Director, the Board shall designate an Independent Director as the Senior Director with suitably documented Terms of Reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the Bank's Annual Report.	Complied with. The Chairman of Bank of Ceylon is an Independent Non-Executive Director and as such the need to appoint a Senior Independent Director does not arise.
3 (5) (iii)	The Board shall disclose in its Corporate Governance Report, which shall be an integral part of its Annual Report, the identity of the Chairman and the Chief Executive Officer and the nature of any relationship [including financial, business, family or other material/ relevant relationship(s)], if any, between the Chairman and the Chief Executive Officer and the relationships among members of the Board.	Complied with. The identity of the Chairman and the General Manager are disclosed in the Annual Report. There are many references to these two roles throughout. No material, financial, business or family relationships exists between the Chairman, General Manager and other members of the Board.
3 (5) (iv)	The Chairman shall: (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and (c) ensure that all key and appropriate issues are discussed by the Board in a timely manner.	Complied with.
3 (5) (v)	The Chairman shall be primarily responsible for drawing up and approving the agenda for each Board meeting, taking into account where appropriate, any matters proposed by the other Directors for inclusion in the agenda. The Chairman may delegate the drawing up of the agenda to the Company Secretary.	Complied with. The Secretary, Bank of Ceylon/Secretary to the Board draws up the agenda from memoranda submitted through the General Manager and on the Chairman approving same is circulated amongst the Board members. Any other relevant items proposed by any Board member are also included into the agenda.
3 (5) (vi)	The Chairman shall ensure that all Directors are properly briefed on issues arising at Board meetings and also ensure that Directors receive adequate information in a timely manner.	Complied with. The Chairman ensures that the Board is adequately briefed. The following procedures are in place to ensure this: • Board papers are circulated well prior to the Board meetings through a secured electronic link except for few exceptions which are submitted late, if urgent. • Pre-Board meetings are held when required. • Relevant members of the Management Team are on standby for any explanations and clarifications. • Management information is provided in agreed formats on a regular basis to enable Directors to assess the performance and stability of the Bank. • Directors are able to seek independent professional advice on needs basis at the Bank's expense.

Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of compliance during the year 2022
3 (5) (vii)	The Chairman shall encourage all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the Bank.	Complied with.
3 (5) (viii)	The Chairman shall facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive relations between Executive and Non- Executive Directors.	Complied with. The entire Board consists of Non-Executive Directors.
3 (5) (ix)	The Chairman, shall not engage in activities involving direct supervision of Key Management Personnel or any other executive duties whatsoever.	Complied with. Chairman is an Independent Non-Executive Director.
3 (5) (x)	The Chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied with. Effective communication is maintained with the Government of Sri Lanka who is the sole shareholder. The Ex officio Director acts as the channel between the Board and the shareholder.
3 (5) (xi)	Chief Executive Officer shall function as the apex executive-in-charge of the day-to-day management of the Bank's operations and business.	Complied with. The day-to-day operations of the Bank is the responsibility of the General Manager. The Board Charter specifically refers to such authority of the General Manager.
(6) Board Appointed Committees		
3 (6) (i)	Each bank shall have at least four Board committees as set out in Directions 3 (6) (ii), 3 (6) (iii), 3 (6) (iv) and 3 (6) (v) of these Directions. Each committee shall report directly to the Board. All committees shall appoint a secretary to arrange the meetings and maintain minutes, records, etc., under the supervision of the Chairman of the committee. The Board shall present a report of the performance on each committee, on their duties and roles at the Annual General Meeting.	Complied with. Four subcommittees of the Board (viz. Audit, Human Resources and Remuneration, Nomination and Corporate Governance and Integrated Risk Management) have been established as required under this Direction which are reporting directly to the Board. In addition another subcommittee, viz. Information and Communication Technology (ICT) Committee is in place. The Terms of Reference for each subcommittee are in place and are reviewed annually. The Secretary, Bank of Ceylon/Secretary to the Board serves as Secretary to all subcommittees and maintains minutes etc. with oversight by the respective Chairpersons. The reports of the subcommittees are included in this Annual Report indicating the activities carried out during the year. The Government being the sole shareholder, the Annual Report of the Bank is submitted to the Parliament of Sri Lanka and to the Ministry in charge of the Bank.
3 (6) (ii)	The following rules shall apply in relation to the Audit Committee: a. The Chairman of the Committee shall be an Independent Non-Executive Director who possesses qualifications and experience in accountancy and/or audit.	Complied with. The Audit Committee is chaired by an Independent Non-Executive Director who has the required qualifications and experience.
	b. All members of the Committee shall be Non-Executive Directors	Complied with. All Directors of the Bank are Non-Executives
	c. The Committee shall make recommendations on matters in connection with: (i) the appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes; (ii) the implementation of the Central Bank Guidelines issued to Auditors from time to time; (iii) the application of the relevant accounting standards; and (iv) the service period, audit fee and any resignation or dismissal of the Auditor; provided that the engagement of the audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.	Complied with. In accordance with the Terms of Reference, the Audit Committee makes the following recommendations among many others: • The implementation of the Central Bank Guidelines issued to auditors from time to time. • The application of the relevant accounting standards Since the Auditor General is the External Auditor of the Bank, the Committee has no role to play in the engagement of the External Auditor.

Section	Principle	Level of compliance during the year 2022
	d. The Committee shall review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices	The Bank's Auditor being the Auditor General, his independence and effectiveness is guaranteed under the Constitution of Sri Lanka.
	e. The Committee shall develop and implement a policy on the engagement of an External Auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the Committee shall ensure that the provision by an External Auditor of non-audit services does not impair the External Auditor's independence or objectivity. When assessing the External Auditor's independence or objectivity in relation to the provision of non-audit services, the Committee shall consider: (i) whether the skills and experience of the audit firm make it a suitable provider of the non-audit services; (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the External Auditor; and (iii) whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit firm, pose any threat to the objectivity and/or independence of the External Auditor.	This does not arise since the Auditor General is the Auditor of the Bank. However, the Committee ensures that provision by an audit firm (if and when appointed by the Auditor General to assist him in the audit of the Bank) of non-audit services does not impair that firm's independence or objectivity. In the year under review, no such audit firm was appointed. The scope and the extent of audit is determined by the Auditor General.
	f. The Committee shall, before the audit commences, discuss and finalise with the External Auditors the nature and scope of the audit, including: (i) an assessment of the Bank's compliance with the relevant Directions in relation to corporate governance and the Management's internal controls over financial reporting; (ii) the preparation of Financial Statements for external purposes in accordance with relevant accounting principles and reporting obligations; and (iii) the coordination between firms where more than one audit firm is involved	
	g. The Committee shall review the financial information of the Bank, in order to monitor the integrity of the Financial Statements of the Bank, its Annual Report, accounts and quarterly reports prepared for disclosure, and the significant financial reporting judgements contained therein. In reviewing the Bank's Annual Report and accounts and quarterly reports before submission to the Board, the Committee shall focus particularly on: (i) major judgemental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.	Complied with. There is a continuing process carried out in reviewing monthly, quarterly, and annual financials of the Bank by the Committee and recommendations are made to the Board.

Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of compliance during the year 2022
	h. The Committee shall discuss issues, problems, and reservations arising from the interim and final audits, and any matters the Auditor may wish to discuss including those matters that may need to be discussed in the absence of Key Management Personnel, if necessary.	Complied with. The Committee discusses issues, problems and reservations arising from the interim and final audits. The representative of the Auditor General was present at Committee meetings throughout. Three "Closed door meetings" were held with the said representative during the year under review and such meetings are facilitated at regular Audit Committee meetings by inclusion of an agenda item to that effect.
	i. The Committee shall review the External Auditor's Management Letter and the Management's response thereto.	Complied with.
	j. The Committee shall take the following steps with regard to the internal audit function of the Bank: (i) Review the adequacy of the scope, functions and resources of the Internal Audit Department, and satisfy itself that the Department has the necessary authority to carry out its work;	Complied with. The Audit Committee reviews and makes necessary recommendations with regard to the adequacy of the scope, functions and resources of the Internal Audit Department. In this regard the time bound Audit Plan which includes scope, function and the existing/required cadre position of the Internal Audit Department is considered by the Committee.
	(ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit Department;	Complied with. The Committee reviews the internal audit programme and results of the internal audit procedures and ensures that appropriate actions are taken for improvements.
	(iii) Review any appraisal or assessment of the performance of the head and senior staff members of the Internal Audit Department;	Complied with. Performance appraisal of Chief Internal Auditor was carried out at the time of extending his service contract in 2022. Performance evaluation of senior staff members was carried out according to the Board approved evaluation process by the Chief Internal Auditor for the year 2022.
	(iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;	Complied with in regard to the Head of the Internal Audit and any outsourced service providers to the internal audit function. The other senior staff is appointed from amongst the banking staff.
	(v) Ensure that the Committee is appraised of resignations of senior staff members of the Internal Audit Department including the Chief Internal Auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning;	Complied with. Such a situation has not arisen during the year.
	(vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care.	Complied with. According to the organisation structure of the Bank, the Chief Internal Auditor reports directly to the Board through the Audit Committee and he is independent of any operations of the Bank.
	k. The Committee shall consider the major findings of internal investigations and Management's responses thereto.	Complied with. The Audit Committee has reviewed the major findings of internal investigations and management responses thereto.
	l. The Chief Finance Officer, the Chief Internal Auditor and a representative of the External Auditors may normally attend meetings. Other Board members and the Chief Executive Officer may also attend meetings upon the invitation of the Committee. However, at least twice a year, the Committee shall meet with the External Auditors without the Executive Directors being present.	Complied with. The Chief Financial Officer, Chief Internal Auditor, Chief Risk Officer and Deputy General Manager (Compliance) and the representative of the Auditor General participate at the Committee meetings. The General Manager also attends the meetings on the invitation of the Committee. The members of the Management are invited for any explanations, if necessary. Closed door meetings are included into the agenda of the meetings and the representative of the Auditor General decides on the necessity. As indicated under "h" above three closed door meetings were held during the year with the representative of the Auditor General without the presence of the Executives.

Section	Principle	Level of compliance during the year 2022
	m. The Committee shall have: (i) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	Complied with.
	n. The Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied with. The Audit Committee schedules regular meetings. Additional meetings are convened when required. The Committee has met nine times during the year. The members of the Committee are served with due notice of issues to be discussed and the conclusions in discharging its duties and responsibilities are recorded in the minutes of the meetings.
	o. The Board shall disclose in an informative way, (i) details of the activities of the Audit Committee; (ii) the number of Audit Committee meetings held in the year; and (iii) details of attendance of each individual Director at such meetings.	Complied with. Activities of the Committee are reported in Audit Committee Report in the Annual Report indicated on page 130. The attendance details of the Committee are disclosed in the Annual Report on page 127.
	p. The Secretary of the Committee (who may be the Company Secretary or the Head of the internal audit function shall record and keep detailed minutes of the Committee meetings.	Complied with. Minutes are maintained by the Secretary to the Board/ Secretary, Bank of Ceylon who is also the Secretary to the Committee.
	q. The Committee shall review arrangements by which employees of the Bank may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the Committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the Bank's relations with the External Auditor.	Complied with. A Board approved Whistle Blowing Policy which covers these aspects is in place which was reviewed during the year 2022 and significant findings are reported to the Audit Committee for appropriate follow-up action. The Audit Committee is the key representative body for overseeing the Bank's relations with the External Auditor viz. the Auditor General in the case of Bank of Ceylon.
3 (6) (iii)	The following rules shall apply in relation to the Human Resources and Remuneration Committee: a. The Committee shall determine the remuneration policy (salaries, allowances and other financial payments) relating to Directors, Chief Executive Officer (CEO) and Key Management Personnel of the Bank.	Complied with. The Remuneration for Directors is according to the circulars/ letters issued by the Government of Sri Lanka through the relevant Ministry and the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. The Bank has adopted a Remuneration Policy based on the said circulars/letters and the Ordinance, which was revised during the year 2022 when reviewing the Governance Policy. The Board approved Remuneration Policy for the Key Management Personnel is in place. The Committee makes recommendations of the remuneration of the KMPs once in three years.

Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of compliance during the year 2022
	b. The Committee shall set goals and targets for the Directors, CEO and the Key Management Personnel.	Complied with. The Committee sets Key Performance Indicators for the KMP with the participation of the full Board. Goals and targets for KMP are documented and detailed in the Action Plan prepared based on the Corporate Plan of the Bank. The General Manager is responsible for the implementation of the Corporate Plan through KMP. Based on the above plans, the Committee recommended the goals and targets set for the General Manager and the members of the Corporate Management for the year 2022. Directors are Non-Executive Directors and as such specific goals are not set for them.
	c. The Committee shall evaluate the performance of the CEO and Key Management Personnel against the set targets and goals periodically and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.	Complied with. Year end evaluation of the members of the Corporate Management including the General Manager was carried out by this committee other than of the Chief Internal Auditor, Chief Risk Officer and the Deputy General Manager (Compliance) since they were evaluated by the respective subcommittees that they are reporting to.
	d. The CEO shall be present at all meetings of the Committee, except when matters relating to the CEO are being discussed.	Complied with
3 (6) (iv)	The following rules shall apply in relation to the Nomination Committee:	The Bank has established a Nomination and Corporate Governance Committee. In addition to the duties of the Nomination Committee given under this Direction, certain other duties pertaining to upholding the applicable Corporate Governance Principles are included under the Terms of Reference of this Committee. The Charter for the Committee was reviewed during the year 2022.
	a. The Committee shall implement a procedure to select/appoint new Directors, CEO, and Key Management Personnel.	The Directors are appointed by the Minister under whose purview the Bank falls. A Policy on Appointment of Directors (Internally prepared) has been shared with the line Ministry. According to the provisions of the Bank of Ceylon Ordinance, the Board with the approval of the said Minister appoints the General Manager. There is a Board approved general procedure/scheme for the appointment of the General Manager and KMP.
	b. The Committee shall consider and recommend (or not recommend) the re-election of current Directors, taking into account the performance and contribution made by the Director concerned towards the overall discharge of the Board's responsibilities.	This does not arise since the Directors are appointed by the relevant Minister.
	c. The Committee shall set the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the post of CEO and the key management positions.	Complied with. There is a Board approved eligibility criteria, qualifications and other key attributes and competencies expected from a candidate considered to be appointed to the position of the General Manager. The Board approved promotion schemes stipulate the attributes required to be eligible to be selected or promoted to the other key management positions.
	d. The Committee shall ensure that Directors, CEO, and Key Management Personnel are fit and proper persons to hold office as specified in the criteria given in Direction 3 (3) and as set out in the statutes.	Complied with. Annual affidavits from Directors ensuring that they are fit and proper persons to hold office as specified in the criteria given in Direction 3 (3) and as set out in statutes are sent to CBSL. Also the Committee ensures that KMP are fit and proper persons to hold their offices when they are promoted or appointed as KMP.

Section	Principle	Level of compliance during the year 2022
	e. The Committee shall consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring Directors and Key Management Personnel.	Complied with. A Board approved Succession Plan for the KMP is in place. Additional or new expertise that is needed are either recommended by the Board subcommittees or decided by the Board.
	f. The Committee shall be chaired by an Independent Director and preferably be constituted with a majority of Independent Directors. The CEO may be present at meetings by invitation.	Complied with.
3 (6) (v)	The following rules shall apply in relation to the Integrated Risk Management Committee: a. The Committee shall consist of at least three Non-Executive Directors, Chief Executive Officer and Key Management Personnel supervising broad risk categories, i.e. credit, market, liquidity, operational, and strategic risks. The Committee shall work with Key Management Personnel very closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.	Complied with. The Committee comprised of three Non-Executive Directors during the year under review. Additionally, the General Manager and the Chief Risk Officer who supervise credit, market, operational, reputational and strategic risks, the Chief Internal Auditor, Chief Financial Officer and Deputy General Manager (Compliance) participate at all Committee meetings at the request of the Committee. Any other KMP and other staff are invited as and when the Committee needs their presence. The Committee works closely with KMP within the framework of authority and responsibility assigned to the Committee.
	b. The Committee shall assess all risks, i.e. credit, market, liquidity, operational, and strategic risks to the Bank on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on a bank basis and group basis.	Complied with. Independent Integrated Risk Management Division of the Bank assesses the credit, market, liquidity, operational, strategic and reputational risks of the Bank based on the policy documents recommended by this Committee and approved by the Board, on a monthly basis and the summary reports are submitted to the Committee at its regular meetings and then to the next immediate Board meeting. In the case of subsidiaries and associates, a risk management dashboard has been developed to address the risks and is reported to the Committee. A Board approved Group Risk Policy is in place.
	c. The Committee shall review the adequacy and effectiveness of all management level committees such as the Credit Committee and the Asset Liability Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.	Complied with.
	d. The Committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the Committee on the basis of the Bank's policies and regulatory and supervisory requirements.	Complied with. Specific quantitative and qualitative risks which go beyond the limits are monitored by the Chief Risk Officer and reported directly to the Committee based on the severity of the issues involved.
	e. The Committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	Complied with. During the year, the Committee met eight times. Details of meetings and attendance are given on page 127.

Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of compliance during the year 2022
	f. The Committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the Committee, and/or as directed by the Director of Bank Supervision.	Formal documented disciplinary action procedure is in place in the Bank to comply with this direction.
	g. The Committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Complied with. The minutes of the meetings are submitted to the Board meeting immediately following the Committee meeting together with the recommendations and Risk Management Reports.
	h. The Committee shall establish a compliance function to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated Compliance Officer selected from Key Management Personnel shall carry out the compliance function and report to the Committee periodically.	Complied with. The Bank has established a separate compliance function to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. This function is headed by a dedicated Compliance Officer/Deputy General Manager and he submits quarterly Compliance Reports to the Committee and monthly Compliance Reports to the Board. The Compliance function also assesses the Bank's compliance with Internal Controls and approved policies on all areas of business operations.
3 (7) Related Party Transactions		
3 (7) (i)	The Board shall take necessary steps to avoid any conflicts of interest that may arise from any transaction of the Bank with any person, and particularly with the following categories of persons shall be considered as "related parties" for the purposes of this Direction:	Complied with. A Policy on Related Party Disclosures is in place covering related parties, their transactions, and restrictions on offering more favourable treatment to related parties in order for the Board members to avoid any conflicts of interest in this regard.
	a. Any of the Bank's subsidiary companies; b. Any of the Bank's associate companies; c. Any of the Directors of the Bank; d. Any of the Bank's Key Management Personnel; e. A close relation of any of the Bank's Directors or Key Management Personnel; f. A shareholder owning a material interest in the Bank; g. A concern in which any of the Bank's Directors or a close relation of any of the Bank's Directors or any of its material shareholders has a substantial interest.	Directors who have related party transactions are individually requested to declare their transactions. Transactions are monitored through an automated system.
3 (7) (ii)	The type of transactions with related parties that shall be covered by this Direction shall include the following: a. The grant of any type of accommodation, as defined in the Monetary Board's Directions on maximum amount of accommodation; b. The creation of any liabilities of the Bank in the form of deposits, borrowings and investments; c. The provision of any services of a financial or non-financial nature provided to the Bank or received from the Bank; d. The creation or maintenance of reporting lines and information flows between the Bank and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.	Complied with. Information in this regard, is disclosed in the Annual Report.

Section	Principle	Level of compliance during the year 2022
3 (7) (iii)	The Board shall ensure that the Bank does not engage in transactions with related parties as defined in Direction No. 3 (7) (i) above, in a manner that would grant such parties "more favourable treatment" than that accorded to other constituents of the Bank carrying on the same business. In this context, "more favourable treatment" shall mean and include treatment, including the: a. Granting of "total net accommodation" to related parties, exceeding a prudent percentage of the Bank's regulatory capital, as determined by the Board. For purposes of this sub-direction: (i) "Accommodation" shall mean accommodation as defined in the Banking Act Direction No.7 of 2007 on Maximum Amount of Accommodation. (ii) The "total net accommodation" shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the Bank's share capital and debt instruments with a maturity of five years or more. b. Charging of a lower rate of interest than the Bank's best lending rate or paying more than the Bank's deposit rate for a comparable transaction with an unrelated comparable counterparty; c. Providing of preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties; d. Providing services to or receiving services from a related-party without an evaluation procedure; e. Maintaining reporting lines and information flows that may lead to sharing potentially proprietary, confidential or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions.	Complied with. The Bank has implemented a Board approved process to monitor related party transactions which is monitored by the Compliance Division and compliance status is indicated in the monthly Compliance Report submitted to the Board. Further, related party transactions are reported to the Audit Committee on a quarterly basis. Any non-compliance brought to the notice of the Board would be addressed by the Board.
3 (7) (iv)	A bank shall not grant any accommodation to any of its Directors or to a close relation of such Director unless such accommodation is sanctioned at a meeting of its Board of Directors, with not less than two-thirds of the number of Directors other than the Director concerned, voting in favour of such accommodation. This accommodation shall be secured by such security as may from time to time be determined by the Monetary Board as well.	Complied with.

Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of compliance during the year 2022
3 (7) (v)	a. Where any accommodation has been granted by a bank to a person or a close relation of a person or to any concern in which the person has a substantial interest, and such person is subsequently appointed as a Director of the Bank, steps shall be taken by the Bank to obtain the necessary security as may be approved for that purpose by the Monetary Board, within one year from the date of appointment of the person as a Director. b. Where such security is not provided by the period as provided in Direction 3 (7) (v) (a) above, the Bank shall take steps to recover any amount due on account of any accommodation, together with interest, if any, within the period specified at the time of the grant of accommodation or at the expiry of a period of eighteen months from the date of appointment of such Director, whichever is earlier. c. Any Director who fails to comply with the above sub-directions shall be deemed to have vacated the office of Director and the Bank shall disclose such fact to the public. d. This sub-direction, however, shall not apply to a Director who at the time of the grant of the accommodation was an employee of the Bank and the accommodation was granted under a scheme applicable to all employees of such bank.	Complied with.
3 (7) (vi)	A bank shall not grant any accommodation or "more favourable treatment" relating to the waiver of fees and/or commissions to any employee or a close relation of such employee or to any concern in which the employee or close relation has a substantial interest other than on the basis of a scheme applicable to the employees of such bank or when secured by security as may be approved by the Monetary Board in respect of accommodation granted as per Direction 3 (7) (v) above.	Complied with. No favourable treatment/accommodation is provided to any employee of the Bank on more favourable terms unless under general staff loan schemes applicable to all employees of the Bank. Circular instructions have been issued in this regard. Close relations of Bank employees are also not given any favourable treatment.
3 (7) (vii)	No accommodation granted by a bank under Direction 3 (7) (v) and 3 (7) (vi) above, nor any part of such accommodation, nor any interest due thereon shall be remitted without the prior approval of the Monitory Board and any remission without such approval shall be void and of no effect.	Complied with. Such a situation has not arisen during the year 2022.
3 (8) Disclosure		
3 (8) (i)	The Board shall ensure that: a. annual Audited Financial Statements and quarterly Financial Statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards; and that b. such statements are published in the newspapers in an abridged form, in Sinhala, Tamil, and English.	Complied with.
3 (8) (ii)	The Board shall ensure that the following minimum disclosures are made in the Annual Report: a. A statement to the effect that the Annual Audited Financial Statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Complied with. Disclosed in the "Annual Report of the Directors on the State of Affairs of the Bank", on pages 158 to 162 and "Directors' Responsibility for Financial Reporting" on page 168.

Section	Principle	Level of compliance during the year 2022
	b. A report by the Board on the Bank's internal control mechanism that confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	Complied with. Disclosed in the "Directors' Statement on Internal Control", on pages 165 and 166 of this Annual Report and "Directors' Responsibility for Financial Reporting" on page 168.
	c. The Assurance Report issued by the Auditors under "Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Reports for banks on Directors' Statements on Internal Control".	Complied with. The Bank has obtained a certificate on the Effectiveness of Internal Controls over Financial Reporting from the Auditor General which is published on page 169 to 173 of this Annual Report.
	d. Details of Directors including names, fitness and propriety, transactions with the Bank and the total of fees/ remuneration paid by the Bank.	Complied with. Details of Directors are given on pages 26 to 29 Directors' Interest in Contracts with the Bank are given on pages 163 and 164. Remuneration paid by the Bank are given in Note 17 to the Financial Statements on page 208.
	e. Total net accommodation as defined in 3 (7) (iii) granted to each category of related parties. The net accommodation granted to each category of related parties shall also be disclosed as a percentage of the Bank's regulatory capital.	Complied with. "Total net accommodation" granted to each category of related parties during the year 2022 as a percentage of the Bank's regulatory capital is given below: Complied with.

	LKR '000	Percentage %
Key Management Personnel (KMP)	844,483	0.32
Subsidiaries	1,906,278	0.72
Associates	645,386	0.24
Government and Government–related entities (Refer definition in Note 61 of Financial Statements)	1,860,545,557	703.44

	Principle	Level of compliance during the year 2022
	f. The aggregate values of remuneration paid by the Bank to its Key Management Personnel and the aggregate values of the transactions of the Bank with its Key Management Personnel, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the Bank.	Complied with. The aggregate amount of remuneration paid by the Bank and transactions with KMP for the year 2022 are stated below:

	LKR '000
Short-term employment benefits	1,209,616
Post-employment benefits	148,897

In addition to above, the Bank has also paid non-cash benefits such as use of vehicles to KMP in line with the approved benefit plan of the Bank.

	LKR '000
Loans	742,536
Overdrafts	23,042
Credit cards	14,363
Due to customers Deposits	1,352,751
Debentures	41
Undrawn facilities	74,753

Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of compliance during the year 2022
	g. A confirmation by the Board of Directors in its Annual Corporate Governance Report that all the findings of the "Factual Finding Reports" of Auditors issued under "Sri Lanka Related Services Practice Statement 4750" have been incorporated in the Annual Corporate Governance Report provided that Auditors confirm to the Director of Bank Supervision to this effect.	Complied with. The Bank will obtain a certificate from the Auditor General in compliance with the Corporate Governance Direction No. 11 of 2007. All findings of the Auditors will be incorporated in this Corporate Governance Report and any recommendations will be dealt within the ensuing year.
	h. A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non- compliances.	Complied with.
	i. A statement of the regulatory and supervisory concerns on lapses in the Bank's risk management, or non- compliance with these Directions that have been pointed out by the Director of Bank Supervision, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the Bank to address such concerns.	Complied with.
3 (9) (i)	Transitional and Other General Provisions Compliance with this Direction shall commence from 1 January 2008 onwards and all licensed commercial banks shall fully comply with the provisions of this Direction by or before 1 January 2009 except where extended compliance dates have been specifically provided for in this Direction.	Complied with.
3 (9) (ii)	In respect of the Banks that have been incorporated by specific statutes in Sri Lanka, the Boards as specified in such statutes shall continue to function in terms of the provisions of the respective statutes, provided they take steps to comply with all provisions of this Direction that are not inconsistent with the provisions of the respective statutes.	Complied with. Bank of Ceylon takes all possible measures to comply with all applicable provisions of this Direction that are not inconsistent with the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments, the enabling enactment. Any instances of non-compliance and where Bank of Ceylon has continued to function in terms of the provisions of the statutes applicable to it has been specifically mentioned above against the relevant sections.
3 (9) (iii)	This Direction shall apply to the branches of the foreign banks operating in Sri Lanka to the extent that it is not inconsistent with the regulations and laws applicable in such bank's country of incorporation. The branch of a foreign bank shall also publish its parent bank's Annual Corporate Governance Report together with its Annual Report and accounts of the branch operations in Sri Lanka.	Not applicable
3 (9) (iv)	In the event of a conflict between any of the provisions of this Direction and the Articles of Association (or Internal Rules) pertaining to any bank, the provisions of this Direction shall prevail. However, if the Articles of Association of an individual bank set a more stringent standard than that specified in this Direction, such provisions in the Articles of Association may be followed.	Not applicable.
3 (9) (v)	If for any reason such as ill health or any incapacity as provided in the Banking Act, the Monetary Board considers that exemptions referred to in Directions 3 (2) (ii) B, 3 (3) (i) A and 3 (3) (ii) A should not be availed of, such ground may be notified to the person by the Monetary Board, and after a hearing, the Monetary Board may limit the period of exemption.	Not applicable.

Compliance Requirements Enforced by Colombo Stock Exchange

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Compliance to the Listing Rules on contents of Annual Report, which were applicable to the Bank for the year ended 31 December 2022 enforced by the Colombo Stock Exchange, are summarised below:

Rule No.	Requirement	Period	Date submitted
7.4.a.(i)	The Interim Financial Statements prepared on quarterly basis, approved by the Board of Directors to be submitted to CSE within 45 days from respective quarter ends for the first three quarters and within two months at the end of 4th quarter.	Quarter 1 ended 31 March 2022	13 May 2022
		Quarter 2 ended 30 June 2022	15 August 2022
		Quarter 3 ended 30 September 2022	15 November 2022
		Quarter 4 ended 31 December 2022	28 February 2023

Rule No.	Requirement	Period
7.4.b.(i)	Comply with LKAS 34 and disclose Group and Bank separately.	Complied with.
7.4.b.(ii)	Disclose the additional notes and ratios as per Listing Rules.	Complied with.
7.4.b.(iii)	Be signed by two Directors.	Complied with.
7.4.b.(iv)	State whether the Financial Statements are audited or not.	Complied with.
7.5.a	Annual Report to be submitted to CSE within five months from the closure of financial year.	The Audited Financial Statements for the year ended 31 December 2022 was submitted on 28 February 2022. Annual Report for the year 2022 will be submitted before the deadline.

Rule No.	Disclosure Requirement	Reference/Comments	Page No.
7.6.(i)	Names of persons who during the financial year were Directors of the entity.	Annual Report of the Board of Directors on the State of Affairs of Bank of Ceylon	161
7.6.(ii)	Principal activities of the entity and its subsidiaries during the year and any changes therein.	Annual Report of the Board of Directors on the State of Affairs of Bank of Ceylon	158
		Notes to the Financial Statements	184
7.6.(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held.	Government of Sri Lanka is the sole shareholder of Bank of Ceylon.	415
7.6.(iv)	The public holding percentage.	Not applicable.	
7.6.(v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year.	Not applicable.	
7.6.(vi)	Information pertaining to material foreseeable risk factors of the entity.	Risk Management Report	140-156
7.6.(vii)	Details of material issues pertaining to employees and industrial relations of the entity.	No material issues occurred during the year under review.	
7.6.(viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties.	Notes 33 and 34 to the Financial Statements	261-283
7.6.(ix)	Number of shares representing the entity's stated capital.	Note 50.1 to the Financial Statements	308
7.6.(x)	A distribution schedule of the number of holders in each class of equity securities and percentage of their total holdings.	Government of Sri Lanka is the sole shareholder of Bank of Ceylon.	415

Compliance Requirements Enforced by Colombo Stock Exchange

Rule No.	Disclosure Requirement	Reference/Comments	Page No.
7.6.(xi)	Ratios and market price information:		
	1. Dividend per share, net assets value per share, interest rate of comparable Government Securities, Debt/equity ratio, interest cover and liquid asset ratio.	Notes 20 and 50.2 to the Financial Statements. Supplementary Information	211, 308 403
	2. Market information on listed debentures.	Note 49 to the Financial Statements. Supplementary Information	305 403
	3. Any changes in credit rating.	Corporate Information	432
7.6.(xii)	Significant changes in the entity's or its subsidiaries' fixed assets and the market value of the land, if the value differs substantially from the book value.	Note 34 to the Financial Statements.	263-283
7.6.(xiii)	During the year the entity has raised funds either through a public issue, rights issue and private placement.	Notes 44, 49 and 50 to the Financial Statements.	291, 305 and 308
7.6.(xiv)	Information in respect of each employee share ownership or stock option scheme.	Not applicable.	
7.6.(xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 (c) and 7.10.6 (c) of Section 7 of the Rules.	Exempted under Section 7.10 of Listing Rules since the Bank complies with direction laid down in the Banking Act Direction No. 11 of 2007 on Corporate Governance.	
7.6.(xvi)	Related party transactions exceeding 10% of the equity or 5% of the total assets of the entity as per Audited Financial Statements, whichever is lower.	Supplementary Information	417

Circular No.	Requirement	Period	Date published in Sinhala, Tamil and English Newspapers
No. 02 of 2019 18 January 2019	6.1 The publication should be made within two months from the end of each quarter, at least once in an English, Sinhala and Tamil newspaper. 6.2 Publication of annual audited financial statements shall be made within five months from the end of the financial year. 6.3 If the Bank publishes its Audited Financial Statements within three months from the end of the financial year, the requirement to publish the Financial Statements for the 4th quarter in terms of 6.1 above would not be mandatory.	Quarter 1 ended 31 March 2022	27 May 2022
		Quarter 2 ended 30 June 2022	26 August 2022
		Quarter 3 ended 30 September 2022	25 November 2022
		Quarter 4 ended 31 December 2022 (Audited)	24 March 2023

Compliance to other disclosure requirements on Annual Financial Statements, which were applicable to licensed commercial banks are summarised below:

1.	**Information about the significance of financial instruments for financial position and performance**	
1.1	**Statement of Financial Position**	
1.1.1	Disclosures on categories of financial assets and financial liabilities	Note 21 to the Financial Statements
1.1.2	Other disclosures	
	(i) Special disclosures about financial assets and financial liabilities designated to be measured at fair value through profit or loss, including disclosures about credit risk and market risk, changes in fair value attributable to these risks and the methods of measurement	Note 4.4, 27 and 64 to the Financial Statements
	(ii) Reclassifications of financial instruments from one category to another	Note 63.4 to the Financial Statements
	(iii) Information about financial assets pledged as collateral and about financial or non-financial assets held as collateral	Note 58 the Financial Statements
	(iv) Reconciliation of the allowance account for credit losses by class of financial assets	Note 28.1 and 28.2 to the Financial Statements
	(v) Information about compound financial instruments with multiple embedded derivatives	None
	(vi) Breaches of terms of loan agreements	None
1.2	**Statement of Comprehensive Income**	
1.2.1	Disclosures on items of income, expense, gains and losses	Note 7 to 18 to the Financial Statements
1.2.2	Other disclosures	
	(i) Total interest income and total interest expense for those financial instruments that are not measured at fair value through profit and loss	Note 8 to the Financial Statements
	(ii) Fee income and expense	Note 9 to the Financial Statements
	(iii) Amount of impairment losses by class of financial assets	Note 14 to the Financial Statements
	(iv) Interest income on impaired financial assets	Note 8.1 to the Financial Statements

Compliance Requirements Enforced by the Central Bank of Sri Lanka

1.3	**Other disclosures**	
1.3.1	Accounting policies for financial instruments	Note 4.4, 21 to 30, 39 to 44 and 49 to the Financial Statements
1.3.2	Information on financial liabilities designated at FVTPL	None
1.3.3	Investments in equity instruments designated at FVOCI	
	(i) Details of equity instruments that have been designated as at FVOCI and the reasons for the designation.	Note 30 to the Financial Statements
	(ii) Fair value of each investment at the reporting date	Note 30.2 and 30.3 to the Financial Statements
	(iii) Comparable carrying amounts	Note 30 to the Financial Statements
	(iv) Description of how fair value was determined	Note 63 to the Financial Statements
	(v) Dividends recognised during the period, separately for investments derecognised during the reporting period and those held at the reporting date.	Note 13 to the Financial Statements
	(vi) Transfer cumulative gain or loss within equity during the period and the reasons for those transfers	Note 12 to the Financial Statements
	(vii) If investments in equity instruments measured at FVOCI are derecognised during the reporting period,	None
	• Reasons for disposing of the investments	
	• Fair value of the investments at the date of derecognition	
	• The cumulative gain or loss on disposal	
1.3.4	Reclassification of financial assets	
	(i) For all reclassifications of financial assets in the current or previous reporting period	Note 63.4 to the Financial Statements
	• Date of reclassification	
	• Detailed explanation of the change in the business model and a qualitative description of its effect on the Financial Statements	
	• The amount reclassified into and out of each category	
	(ii) For reclassifications from FVTPL to amortised cost of FVOCI	None
	• The effective interest rate (EIR) determined on the date of reclassification	
	• the interest revenue recognised	
	(iii) For reclassifications from FVOCI to amortised cost, or from FVTPL to amortised cost or FVOCI	Note 63.4 to the Financial Statements
	• The fair value of the financial assets at the reporting date	
	• The fair value gain or loss that would have been recognised in profit or loss or OCI during the reporting period if the financial assets had not been reclassified.	
1.3.5	Information on hedge accounting	Note 53 to the Financial Statements
1.3.6	Information about the fair values of each class of financial asset and financial liability, along with:	
	(i) Comparable carrying amounts	Note 63 to the Financial Statements
	(ii) Description of how fair value was determined	Note 63 to the Financial Statements
	(iii) The level of inputs used in determining fair value	Note 63 to the Financial Statements
	(iv) (a) Reconciliations of movements between levels of fair value measurement hierarchy	None
	(b) Additional disclosures for financial instruments that fair value is determined using Level 3 inputs	Note 63.1.3 to the Financial Statements
	(v) Information if fair value cannot be reliably measured	None

2.	**Information about the nature and extent of risks arising from financial instruments**	
2.1	**Qualitative disclosures**	
2.1.1	Risk exposures for each type of financial instrument	Risk Report and Note 64 to the Financial Statements
2.1.2	Management's objectives, policies, and processes for managing those risks	Risk Management Report
2.1.3	Changes from the prior period	Risk Management Report
2.2	**Quantitative disclosures**	
2.2.1	Summary of quantitative data about exposure to each risk at the reporting date	Note 64 to the Financial Statements
2.2.2	Disclosures about credit risk, liquidity risk, market risk, operational risk, interest rate risk and how these risks are managed	Note 64 to the Financial Statements
	(i) Credit Risk	Note 64.2 to the Financial Statements
	(a) Maximum amount of exposure (before deducting the value of collateral), description of collateral, information about credit quality of financial assets that are neither past due nor impaired and information about credit quality of financial assets	Note 64.2.2 to the Financial Statements
	(b) For financial assets that are past due or impaired, disclosures on age, factors considered in determining as impaired and the description of collateral on each class of financial asset	Note 64.2.1 to the Financial Statements
	(c) Information about collateral or other credit enhancements obtained or called	Note 64.2.2.1 to the Financial Statements
	(d) Credit risk management practices – CRM practices and how they relate to the recognition and measurement ECL, including the methods, assumptions, and information used to measure ECL	Note 28 and 64 to the Financial Statements
	• Quantitative and qualitative information to evaluate the amounts in the Financial Statements arising from ECL, including changes and the reasons for those changes	
	• How the Bank determines whether the credit risk of financial instruments has increased significantly since initial recognition	
	• The Bank's definitions of default for different financial instruments, including the reasons for selecting those definitions	
	• How instruments are grouped if ECL are measured on a collective basis	
	• How the Bank determines that financial assets are credit – impaired	
	• The Bank's write-off policy, including the indicators that there is no reasonable expectation of recovery	
	• How the modification requirements have been applied	
	(e) ECL calculations	Note 28 to the Financial Statements
	• Basis of the inputs, assumptions and the estimation techniques used when estimating ECL	
	• How forward – looking information has been incorporated into the determination of ECL including the use of macroeconomic information. Changes in estimation techniques or significant assumptions made during the reporting period	
	(f) Amounts arising from ECL	Note 22, 24, 28 and 29 to the Financial Statements
	• Reconciliation for each class of financial instruments of the opening balance to the closing balance of the impairment loss allowance	

Compliance Requirements Enforced by the Central Bank of Sri Lanka

(g) Collateral	Note 64.2.2 to the Financial Statements
• Bank's maximum exposure to credit risk at the reporting date • Description of collateral held as security and other credit enhancements	
(h) Written-off assets	Note 28 to the Financial Statements
• Contractual amount outstanding of financial assets written off during the reporting period that are still subject to enforcement activity.	
(i) Pillar III disclosures of the Banking Act Directions No 1 of 2016 on Capital requirements under Basel III for licensed banks	Capital Adequacy in Compliance annexes
(ii) Liquidity Risk	
(a) A maturity analysis of financial liabilities	Note 60 to the Financial Statements
(b) Description of approach to risk management	Risk Management Report and Note 64.3 to the Financial Statements
(c) Pillar III disclosures of the Banking Act Direction No. 1 of 2016 on Capital requirements under Basel III for Licensed Banks	Capital Adequacy in Compliance Annexes
(iii) Market Risk	
(a) A sensitivity analysis of each type of market risk to which the entity is exposed	Note 64.4 to the Financial Statements
(b) Additional information, if the sensitivity analysis is not representative of the Bank's risk exposure	Note 64.4 to the Financial Statements
(c) Pillar III disclosures of the Banking Act Directions No. 1 of 2016 on Capital requirements under Basel III for Licensed Banks	Capital Adequacy in Compliance Annexes
(iv) Operational Risk Pillar III disclosures of the Banking Act Direction No. 1 of 2016 on Capital requirements under Basel III for Licensed Banks	Capital Adequacy in Compliance Annexes
(v) Equity risk in the banking book	
(a) Qualitative disclosures	
Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons	Note 27 and 30 to the Financial Statements
Discussion of important policies covering the valuation and accounting of equity holdings in the banking book	Note 27 and 30 to the Financial Statements
(b) Quantitative disclosures	
Value disclosed in the Statement of Financial Position of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value	Note 27.2, 30.2 and 30.3 to the Financial Statements
The types and nature of investments	Note 27 and 30 to the Financial Statements
The cumulative realised gains/(losses) arising from sales and liquidations in the reporting period	Note 12 to the Financial Statements
(vi) Interest rate risk in the banking book	
(a) Qualitative disclosures	
Nature of interest rate risk in the banking book (IRRBB) and key assumptions	Note 64.4.2 to the Financial Statements
(b) Quantitative disclosures	
The increase/(decline) 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 currency (as relevant)	Note 64.4.1 to the Financial Statements

2.2.3	Information on concentrations of risk	Note 64.2.3 to the Financial Statements
3.	**Other Disclosures**	
3.1	**Capital**	
3.1.1	Capital structure	Note 50 to the Financial Statements
3.2	**Qualitative disclosures**	
	Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of innovative, complex or hybrid capital instruments	Debt – Note 49 to the Financial Statements Equity – Note 50
3.3	**Quantitative disclosures**	
3.3.1	Quantitative disclosures	
	• Paid-up share capital/common stock	Capital Adequacy in Compliance Annexes
	• Reserves	Capital Adequacy in Compliance Annexes
	• Non-controlling interests in the equity of subsidiaries	Capital Adequacy in Compliance Annexes
	• Innovative instruments	None
	• Other capital instruments	None
	• Deductions from Tier I capital	Capital Adequacy in Compliance Annexes
	(b) The total amount of Tier 2 and Tier 3 capital	Capital Adequacy in Compliance Annexes
	(c) Other deductions from capital	Capital Adequacy in Compliance Annexes
	(d) Total eligible capital	Capital Adequacy in Compliance Annexes
3.4	**Capital adequacy**	
	(i) Qualitative disclosures	
	A summary discussion of the Bank's approach to assessing the adequacy of its capital or support current and future activities	Risk Report and Note 64.6 to the Financial Statements
	(ii) Quantitative disclosures	
	(a) Capital requirements for credit risk, market risk and operational risk	Capital Adequacy in Compliance Annexes
	(b) Total and Tier 1 capital ratio	Capital Adequacy in Compliance Annexes

9 Capital Adequacy

Basel III is a framework that sets international standards for banks' capital adequacy, stress testing, and liquidity requirements. It was developed in response to the deficiencies identified in financial regulations during the financial crisis of 2007–2008. It is intended to strengthen bank's capital requirement by increasing minimum capital requirements, holdings of high quality liquid assets, and decreasing bank leverage.

Minimum Capital Requirement

A strong base of capital is essential for a bank's sustainability. The capital acts as a cushion or a shock absorber against unexpected losses arising from various risks during the course of the business and as a regulatory restraint on unnecessary asset expansion.

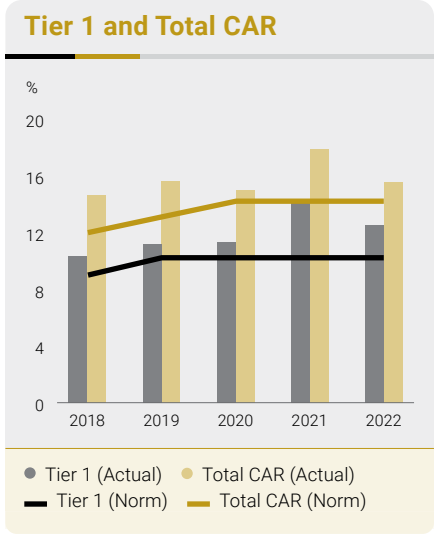
During the year 2022, Banks faced difficulties in raising fresh capital due to unfavorable market conditions, comparatively higher risk-weighted assets, higher impairment provisioning under SLFRS 9, and higher taxes. However, the Bank was capable to manage its capital requirements by using strategies such as prudent capital allocation, controlled growth in risk-weighted assets, expansion of fee-based services, timely pricing/re-pricing of its assets and liabilities, well diversified products and services portfolio and capital instruments. The Bank consistently maintains capital adequacy ratios, well in excess of minimum requirements.

At present, Capital Adequacy Ratios of the licensed banks in Sri Lanka are computed based on the Banking Act Direction No. 1 of 2016 and subsequent amendments thereto issued by the Central Bank of Sri Lanka (CBSL) stemming from Basel III accord.

Following comparison demonstrates the capital strength of the Bank and its ability to meet regulatory requirements.

Components of the Capital	Minimum Regulatory Requirement from 01.01.2019 %	Actual end of 31.12.2020 %	31.12.2021 %	31.12.2022 %
Common Equity Tier 1 + CCB and Capital surcharge for D-SIBs	8.50	10.09	12.91	11.34
Total Tier 1	10.00	11.22	14.25	12.41
Total Capital	14.00	14.88	17.77	15.38

Below chart depicts the components of the Bank's capital and its compliance with the firm requirements imposed by the Regulator.



The Bank was able to raise LKR 6.49 billion by issuing Basel III compliant – Tier 2, Unlisted, Rated, Unsecured, Subordinated, Redeemable debentures in 2022 in order to improve the Tier 2 capital base. Furthermore internally generated funds during the year has also enhanced Bank's capital base, enabling the Bank to meet the regulatory capital adequacy requirements under the Basel III Accord.

Basel III Disclosure Requirements under Pillar 3 as per Banking Act Direction No. 01 of 2016

Disclosure 1: Key Regulatory Ratios – Capital and Liquidity

	31.12.2022		31.12.2021	
Item	Bank	Group	Bank	Group
Regulatory Capital (LKR '000)				
Common Equity Tier 1	194,949,918	200,533,817	176,537,824	182,294,819
Tier 1 Capital	213,299,918	218,883,817	194,887,824	200,644,819
Total Capital	264,494,074	270,747,789	243,033,817	249,799,365
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement – 8.50%)	11.34	11.34	12.91	12.83
Tier 1 Capital Ratio (Minimum Requirement – 10.00%)	12.41	12.38	14.25	14.13
Total Capital Ratio (Minimum Requirement – 14.00%)	15.38	15.32	17.77	17.59
Leverage Ratio (Minimum Requirement – 3.00%)	4.59	4.65	4.68	4.76

	Bank	
Item	31.12.2022	31.12.2021
Regulatory Liquidity		
Statutory Liquid Assets – Domestic (LKR '000)	698,946,861	715,407,611
Statutory Liquid Assets – FCBU (USD '000)	368,308	701,065
Statutory Liquid Assets Ratio (Minimum Requirement – 20%)		
Domestic Banking Unit (%)	21.22	24.97
Off -shore Banking Unit (%)	32.79	25.34
Consolidated (%)	23.00	N/A
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement 2022 – 90%, 2021 – 100%)	169.00	169.00
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement 2022 – 90%, 2021 – 100%)	122.77	111.45
Net stable Funding Ratio (%) (Minimum Requirement 2022- 90%, 2021 – 100%)	139.00	124.31

Capital Adequacy

Disclosure 2: Basel III Computation of Capital Ratios – 31.12.2022

Item	2022 Bank LKR '000	2022 Group LKR '000	2021 Bank LKR '000	2021 Group LKR '000
Common Equity Tier 1 (CET 1) Capital after Adjustments	194,949,918	200,533,817	176,537,824	182,294,819
Common Equity Tier 1 (CET 1) Capital	219,610,936	221,151,838	183,167,919	186,911,323
Equity Capital (Stated Capital)/Assigned Capital	25,730,000	25,730,000	25,000,000	25,000,000
Reserve Fund	15,131,000	15,131,000	14,491,000	14,491,000
Published Retained Earnings/(Accumulated Retained Losses)	158,616,238	159,819,481	136,739,177	138,104,222
Published Accumulated other Comprehensive Income (OCI)	19,964,631	20,104,713	3,592,322	4,129,313
General and other Disclosed Reserves	169,067	366,644	3,345,420	5,186,788
Unpublished current year's Profit/(Losses) and Gains reflected in OCI	–	–	–	–
Ordinary shares issued by consolidated banking and financial subsidiaries held by third parties	–	–		–
Total adjustments to CET 1 Capital	24,661,017	20,618,021	6,630,095	4,616,504
Goodwill (net)	–	–	–	–
Intangible Assets (net)	1,360,265	1,511,177	965,939	1,140,545
Revaluation Losses of Property, Plant and Equipment	52,913	52,913	52,913	52,913
Deferred Tax Assets (Net)	18,903,174	18,924,249	1,066,793	3,280,640
Investments in the Capital of Banking and Financial Institutions where the Bank does not own more than 10 per cent of the Issued Ordinary Share Capital of the Entity	–	–	148,640	142,406
Significant Investments in the Capital of Financial Institutions where the Bank owns more than 10 per cent of the Issued Ordinary Share Capital of the Entity	4,214,983	–	4,395,809	–
Shortfall of Capital in Financial Subsidiaries	129,682	129,682	–	–
Additional Tier 1 (AT I) Capital after adjustment	18,350,000	18,350,000	18,350,000	18,350,000
Additional Tier 1 (AT I) Capital	18,350,000	18,350,000	18,350,000	18,350,000
Qualifying additional Tier 1 Capital Instruments	18,350,000	18,350,000	18,350,000	18,350,000
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by third parties	–	–	–	–
Total adjustments to AT 1 Capital	–	–	–	–
Investment in Own Shares	–	–	–	–
Others (specify)				
Tier 2 Capital after adjustments	51,194,155	51,863,972	48,145,993	49,154,547
Tier 2 Capital	51,194,155	51,863,972	48,320,390	49,321,629
Qualifying Tier 2 Capital Instruments	21,960,592	22,028,292	22,975,611	23,375,611
Revaluation Gains	9,902,177	9,902,177	9,902,177	9,902,177
General Provisions	19,331,387	19,933,503	15,442,602	16,043,841
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by third parties	–	–	–	–
Total adjustment to Tier 2	–	–	174,397	167,082
Investment in Own Shares		–		–
Investments in the Capital of Financial Institutions and where the Bank does not own more than 10 per cent of the Issued Capital carrying Voting Rights of the Issuing Entity	–	–	174,397	167,082
Significant Investments in the Capital of Banking and Financial Institutions where the Bank own more than 10 per cent of the Issued Ordinary Share Capital of the Entity	–	–	–	–
CET I Capital	194,949,918	200,533,817	176,537,824	182,294,819
Total Tier 1 Capital	213,299,918	218,883,817	194,887,824	200,644,819
Total Capital	264,494,074	270,747,789	243,033,817	249,799,365

Item	2022 Bank LKR '000	2022 Group LKR '000	2021 Bank LKR '000	2021 Group LKR '000
Total Risk Weighted Assets (RWA)	1,719,267,173	1,767,715,187	1,367,362,524	1,420,493,260
RWAs for Credit Risk	1,546,510,921	1,594,680,262	1,235,408,190	1,283,507,303
RWAs for Market Risk	19,738,892	19,717,359	16,579,803	16,582,372
RWAs for Operational Risk	153,017,360	153,317,566	115,374,531	120,403,585
CET I capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer and Surcharge on D-SIBs) (%)	11.34	11.34	12.91	12.83
of which: Capital Conservation Buffer (%)	2.50	2.50	2.50	2.50
of which: Countercyclical Buffer (%)	N/A	N/A	N/A	N/A
of which: Capital Surcharge on D-SIBs (%)	1.50%	1.50%	1.50%	1.50%
Total Tier 1 Capital Ratio (%)	12.41	12.38	14.25	14.13
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer and Surcharge on D- SIBs) (%)	15.38	15.32	17.77	17.59
of which: Capital Conservation Buffer (%)	2.50	2.50	2.50	2.50
of which: Countercyclical Buffer (%)	N/A	N/A	N/A	N/A
of which: Capital Surcharge on D-SIBs (%)	1.50	1.50	1.50	1.50

Disclosure 3: Leverage Ratio as at 31.12.2022

	2022 Bank LKR '000	2022 Group LKR '000	2021 Bank LKR '000	2021 Group LKR '000
Tier 1 Capital	213,299,918	218,883,817	194,887,824	200,644,819
Total Exposures	4,646,589,230	4,703,126,805	4,163,551,295	4,211,875,382
On-balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including collateral)	4,251,645,878	4,307,950,487	3,790,236,743	3,837,071,742
Derivative Exposures	26,706,355	26,706,355	3,246,486	3,246,486
Securities financing transaction exposures	183,736,863	183,969,828	171,124,854	172,613,942
Other Off-balance Sheet Exposures	184,500,134	184,500,134	198,943,213	198,943,213
Basel III Leverage Ratio (%) (Tier 1 Capital/Total Exposure)	4.59	4.65	4.68	4.76

Disclosure 4: Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR)

	31.12.2022 LKR '000	31.12.2021 LKR '000
Total available Stable Funding	2,931,092,115	2,504,060,279
Required Stable Funding – On-balance Sheet Assets	2,100,576,441	1,994,714,253
Required Stable Funding – Off-balance Sheet Assets	12,901,216	19,716,966
Total Required Stable Funding	2,113,477,657	2,014,431,219
NSFR	139%	124%

Capital Adequacy

Basel III computation of liquidity coverage ratio – All currency (Bank only)

	31.12.2022		31.12.2021	
Item	Total un-weighted value LKR '000	Total weighted value LKR '000	Total un- weighted value LKR '000	Total weighted value LKR '000
Total stock of High-Quality Liquid Asset (HQLA)	528,321,184	522,718,279	540,039,690	531,095,154
Total adjusted Level I Assets	495,276,344	495,276,344	492,156,944	492,156,944
Level 1 Assets	496,650,654	496,650,654	488,050,163	488,050,163
Total adjusted Level 2A Assets	29,235,313	24,850,016	48,714,935	41,407,695
Level 2A Assets	29,235,313	24,850,016	48,714,935	41,407,695
Total adjusted Level 2B Assets	2,435,217	1,217,609	3,274,592	1,637,296
Level 2B Assets	2,435,217	1,217,609	3,274,592	1,637,296
Total Cash Outflows	4,143,573,873	591,674,653	3,401,856,760	535,682,254
Deposits	2,549,717,356	254,971,736	2,101,279,219	210,127,922
Unsecured Wholesale Funding	689,360,250	283,199,642	650,380,229	289,029,451
Secured Funding Transactions	347,682,220	–	45,553,081	–
Undrawn portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	556,814,047	53,503,275	604,644,230	36,524,881
Additional Requirements		–		–
Total Cash Inflows	312,827,811	165,920,811	112,949,640	59,133,469
Maturing Secured Lending Transaction backed by Collateral		–	–	–
Committed Facilities	5,000,000	–	5,000,000	–
Other Inflows by counterparty which are maturing within 30 days	263,185,809	165,459,409	107,405,810	58,589,639
Operational Deposits	44,180,601	–	34,124,380	–
Other Cash Inflows	461,402	461,402	543,830	543,830
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/ Total Net Cash Outflows over the next 30 calendar days)* 100		122.77		111.45

Disclosure 5: Main features of regulatory capital instruments

Description of the capital instrument					
Issuer	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon
Unique identifier	LK0357D20470	LK0357D23177	LK0357D23219	LK0357D23771	LK0357D23789
Governing Laws of the Instrument	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka
Original date of issuance	25 October 2013	6 October 2015	6 October 2015	29 December 2016	29 December 2016
Par value of Instrument – LKR	100	100	100	100	100
Issued quantity (No. of debentures)	16,000,000	11,802,560	20,405,480	7,836	200
Issued quantity (LKR '000)	1,600,000	1,180,256	2,040,548	784	20
Perpetual or dated					
Original maturity date, if applicable	24 October 23	5 October 23	5 October 23	28 December 24	28 December 24
Amount recognised in Regulatory Capital (in LKR '000 as at the reporting date)	240,000	177,038	306,082	274	7
Accounting Classification (Equity/Liability)	Liability	Liability	Liability	Liability	Liability
Coupons/Dividends					
Fixed or Floating Dividend/Coupon	FIXED	FIXED	FLOATING	FIXED	FLOATING
Coupon Rate and any Related Index %	13.75	9.50	31.84	12.75	33.51
Non-cumulative or Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible

Description of the Capital Instrument					
Issuer	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon
Unique Identifier					
Governing Laws of the Instrument	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka
Original date of Issuance	29 December 2017	31 July 2018	3 December 2018	27 June 2019	17 July 2019
Par value of Instrument – LKR	100	100	100	100	100
Issued Quantity (No. of Debentures)	50,000,000	67,000,000	53,000,000	30,000,000	10,488,500
Issued Quantity (LKR '000)	5,000,000	6,700,000	5,300,000	3,000,000	1,048,850
Perpetual or dated					Dated
Original maturity date, if applicable	28 December 2025	30 July 2026	2 December 2023	26 June 2024	16 July 2024
Amount recognised in Regulatory Capital (in LKR '000 as at the reporting date)	2,750,000	4,690,000	795,000	750,000	314,655
Accounting Classification (Equity/Liability)	Liability	Liability	Liability	Liability	Liability
Coupons/Dividends					
Fixed or floating Dividend/Coupon	FIXED	FIXED	FIXED	FIXED	FIXED
Coupon Rate and any Related Index %	12.75	12.00	12.00	11.75	11.80
Non-cumulative or Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-viability write down

Capital Adequacy

Description of the Capital Instrument					
Issuer	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon
Unique Identifier					
Governing Laws of the Instrument	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka
Original date of Issuance	18 July 2019	23 July 2019	24 July 2019	26 July 2019	26 July 2019
Par value of Instrument – LKR	100	100	100	100	100
Issued Quantity (No. of Debentures)	22,000,000	25,000,000	4,000,000	611,500	51,500,000
Issued Quantity (LKR '000)	2,200,000	2,500,000	400,000	61,150	5,150,000
Perpetual or dated	Dated	Dated	Dated	Dated	Dated
Original maturity date, if applicable	17 July 2024	22 July 2024	23 July 2024	25 July 2027	25 July 2027
Amount recognised in Regulatory Capital (in LKR '000 as at the reporting date)	660,000	750,000	120,000	55,035	3,862,500
Accounting Classification (Equity/Liability)	Liability	Liability	Liability	Liability	Liability
Coupons/Dividends					
Fixed or Floating Dividend/Coupon	FIXED	FIXED	FIXED	FIXED	FLOATING
Coupon Rate and any Related Index %	11.80	11.80	11.50	11.75	35.01
Non-cumulative or Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or Non-convertible	Non-viability write down	Non-viability write down	Non-viability write down	Non-viability write down	Non-viability write down

Description of the Capital Instrument	
Issuer	Bank of Ceylon
Unique Identifier	
Governing Laws of the Instrument	Laws of Sri Lanka
Original date of Issuance	30 December 2022
Par value of Instrument – LKR	100
Issued quantity (No. of debentures)	64,900,000
Issued quantity (LKR '000)	6,490,000
Perpetual or dated	Dated
Original maturity date, if applicable	29 December 2027
Amount recognised in Regulatory Capital (in LKR '000 as at the reporting date)	6,490,000
Accounting Classification (Equity/Liability)	Liability
Coupons/Dividends	
Fixed or Floating Dividend/Coupon	FIXED
Coupon Rate and any Related Index %	29.00
Non-cumulative or Cumulative	Non-cumulative
Convertible or Non-convertible	Non viability write down

Disclosure 7: Credit Risk under Standardised Approach – Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects

Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects – Bank

Asset class	Amount as at 31.12.2022					
	Exposures before credit conversion factor (CCF)and CRM		Exposures post CCF and CRM		RWA and RWA Density (%)	
	On balance sheet amount LKR '000	Off balance sheet amount LKR '000	On balance sheet amount LKR '000	Off balance sheet amount LKR '000	RWA LKR '000	RWA density %
Claims on Central Government and CBSL	1,734,262,108	25,421,707	1,734,262,108	5,084,341	67,535,139	3.88
Claims on Foreign Sovereigns and their Central Bank	59,195,057	–	59,195,057	–	56,773,305	95.91
Claims on Public Sector Entities	386,105,567	84,066,438	181,049,321	11,675,442	183,185,563	95.05
Claim on Official Entities and Multilateral Development Banks	–	–	–	–	–	–
Claims on banks Exposures	100,654,303	72,775,025	100,654,303	72,775,025	110,912,541	63.95
Claims on Financial Institutions	5,456,948	18,631	5,456,948	18,631	4,622,065	84.41
Claims on Corporates	302,008,045	196,328,810	249,651,578	45,044,167	283,374,202	96.16
Retail Claims	651,828,325	237,146,007	586,061,810	–	442,810,583	75.56
Claims secured by Gold	107,352,996	–	107,352,996	–	1,006	0.00
Claims secured by Residential Property	90,135,894	–	90,135,894	–	43,356,357	48.10
Claims secured by Commercial Real Estate	40,326,980	–	40,326,980	–	40,326,980	100.00
Non-performing Assets (NPAs)	118,456,923	–	118,456,923	–	149,168,919	125.93
Higher-risk Categories	1,991,649	–	1,991,649	–	4,979,123	250.00
Cash Items and Other Assets	211,694,260	13,855,174	211,694,260	13,855,174	159,465,138	70.70
Total	3,809,469,055	629,611,792	3,486,289,827	148,452,780	1,546,510,921	42.55

Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects – Group

Asset class	Amount as at 31.12.2022					
	Exposures before credit conversion factor (CCF)and CRM		Exposures post CCF and CRM		RWA and RWA Density (%)	
	On balance sheet amount LKR '000	Off balance sheet amount LKR '000	On balance sheet amount LKR '000	Off balance sheet amount LKR '000	RWA LKR '000	RWA density %
Claims on Central Government and CBSL	1,736,660,450	25,421,707	1,736,660,450	5,084,341	67,535,139	3.88
Claims on Foreign Sovereigns and their Central Bank	59,195,057	–	59,195,057	–	56,773,305	95.91
Claims on Public Sector Entities	398,950,181	84,066,438	181,049,321	11,675,442	183,185,563	95.05
Claim on Official Entities and Multilateral Development Banks	–	–	–	–	–	–
Claims on banks Exposures	102,020,354	72,775,025	102,020,354	72,804,626	112,322,994	64.25
Claims on Financial Institutions	5,456,948	18,631	5,456,948	18,631	4,622,065	84.41
Claims on Corporates	337,150,127	196,328,810	284,793,660	45,044,167	318,516,284	96.57
Retail Claims	651,828,325	237,146,007	586,061,810	–	442,810,583	75.56
Claims Secured by Gold	107,352,996	–	107,352,996	–	1,006	0.00
Claims Secured by Residential Property	90,135,894	–	90,135,894	–	43,356,357	48.10
Claims secured by Commercial Real Estate	40,326,980	–	40,326,980	–	40,326,980	100.00
Non-performing Assets (NPAs)	118,456,923	–	118,456,923	–	149,168,919	125.93
Higher-risk Categories	–	–	–	–	–	–
Cash Items and Other Assets	235,119,483	13,855,174	235,119,483	13,855,174	176,061,066	70.71
Total	3,882,653,718	629,611,792	3,546,629,876	148,482,381	1,594,680,262	43.16

Capital Adequacy

Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights – Bank

Description	Amount as at 31.12.2022 (Post CCF and CRM)								
Risk weight / Asset classes	0%	20%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Claims on Central Government and Central Bank of Sri Lanka	1,401,668,581	332,593,528	–	–	–	–	–	–	1,734,262,108
Claims on Foreign Sovereigns and their Central Bank	–	–	4,843,503	–	–	54,351,554	–	–	59,195,057
Claims on Public Sector Entities	–	11,924,000	–	–	–	169,125,321	–	–	181,049,321
Claims on Official Entities and Multilateral Development Banks	–	–	–	–	–	–	–	–	–
Claims on Banks Exposures	–	26,136,339	10,511,498	–	–	64,006,466	–	–	100,654,303
Claims on Financial Institutions	–	626,775	1,149,139	–	–	2,935,294	444,950	–	5,156,158
Claims on Corporates	–	12,147,119	654,713	–	–	236,830,659	19,087	–	249,651,578
Retail Claims	–	–	–	5,306,960	564,513,771	16,241,078	–	–	586,061,810
Claims secured by Gold	107,351,989	–	–	–	–	1,006	–	–	107,352,996
Claims secured by Residential Property	–	–	71,968,519	–	–	18,167,375	–	–	90,135,894
Claims secured by Commercial Real Estate	–	–	–	–	–	40,326,980	–	–	40,326,980
Non-performing Assets (NPAs)	–	–	–	–	–	57,032,931	61,423,992	–	118,456,923
Higher-risk Categories	–	–	–	–	–	–	–	1,991,649	1,991,649
Cash item and Other Assets	57,929,107	10,193,986	–	–	–	143,571,167	–		211,694,260
Total	1,566,949,677	393,621,746	89,127,372	5,306,960	564,513,771	802,589,832	61,888,029	1,991,649	3,485,989,037

Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights – Group

Description	Amount as at 31.12.2022 (Post CCF and CRM)								
Risk weight / Asset classes	0%	20%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Claims on Central Government and Central Bank of Sri Lanka	1,404,066,923	332,593,528	–	–	–	–	–	–	1,736,660,450
Claims on Foreign Sovereigns and their Central Bank	–	–	4,843,503	–	–	54,351,554	–	–	59,195,057
Claims on Public Sector Entities	–	11,924,000	–	–	–	169,125,321	–	–	181,049,321
Claims on Official Entities and Multilateral Development Banks	–		–	–	–	–	–	–	–
Claims on Banks Exposures	–	26,136,339	10,511,498	–	–	65,372,517	–	–	102,020,354
Claims on Financial Institutions	–	626,775	1,149,139	–	–	2,935,294	444,950	–	5,156,158
Claims on Corporates	–	12,147,119	654,713	–	–	271,972,741	19,087	–	284,793,660
Retail Claims	–	–	–	5,306,960	564,513,771	16,241,078	–	–	586,061,810
Claims secured by Gold	107,351,989	–	–	–	–	1,006	–	–	107,352,996
Claims secured by Residential Property	–	–	71,968,519	–	–	18,167,375	–	–	90,135,894
Claims secured by Commercial Real Estate	–	–	–	–	–	40,326,980	–	–	40,326,980
Non-performing Assets (NPAs)	–	–	–	–	–	57,032,931	61,423,992	–	118,456,923
Higher-risk Categories	–	–	–	–	–	–	–	–	–
Cash item and Other Assets	64,758,402	10,193,986	–	–	–	160,167,095	–	–	235,119,483
Total	1,576,177,314	393,621,746	89,127,372	5,306,960	564,513,771	855,693,893	61,888,029	–	3,546,329,086

Disclosure 9: Market Risk under Standardised Measurement Method

Item	31.12.2022 Bank LKR '000	31.12.2022 Group LKR '000	31.12.2021 Bank LKR '000	31.12.2021 Group LKR '000
(a) Capital charge for Interest Rate Risk	21,782	21,782	501,518	501,518
General Interest Rate Risk	21,782	21,782	501,518	501,518
(i) Net Long or Short Position	21,782	21,782	501,518	501,518
(ii) Horizontal Disallowance	–	–	–	–
(iii) Vertical Disallowance	–	–	–	–
(iv) Options	–	–	–	–
Specific Interest Rate Risk	–	–	–	–
(b) Capital charge for Equity	631,165	631,165	722,547	722,547
(i) General Equity Risk	296,418	296,418	340,796	340,796
(ii) Specific Equity Risk	334,747	334,747	381,751	381,751
(c) Capital charge for Foreign Exchange and Gold	2,110,498	2,107,483	1,097,107	1,097,466
Total Capital Charge for Market Risk [(a)+(b)+(c)]	2,763,445	2,760,430	2,321,172	2,321,531
Total risk weighted amount for Market Risk	19,738,892	19,717,357	16,579,800	16,582,364

Disclosure 10: Operational Risk under Basic Indicator Approach

Operational Risk under Basic Indicator Approach – Bank

Business lines	Capital charge factor	Fixed factor	Gross income as at 31.12.2022			Gross income as at 31.12.2021		
			1st year LKR '000	2nd year LKR '000	3rd year LKR '000	1st year LKR '000	2nd year LKR '000	3rd year LKR '000
The Basic Indicator Approach	15%		94,663,889	140,313,204	193,471,515	88,071,593	94,663,889	140,313,204
Capital charges for Operational Risk (LKR '000)					21,422,430			16,152,434
Risk weighted amount for Operational Risk (LKR '000)					153,017,360			115,374,531

Operational Risk under basic indicator approach – Group

Business lines	Capital charge factor	Fixed factor	Gross income as at 31.12.2022			Gross income as at 31.12.2021		
			1st year LKR '000	2nd year LKR '000	3rd year LKR '000	1st year LKR '000	2nd year LKR '000	3rd year LKR '000
The Basic Indicator Approach	15%		97,518,878	145,112,559	186,657,749	94,498,600	97,518,878	145,112,559
Capital charges for Operational Risk (LKR '000)					21,464,459			16,856,502
Risk weighted amount for Operational Risk (LKR '000)					153,317,566			120,403,585

Capital Adequacy

D-SIB assessment exercise	Group LKR million
Size indicator	
Section 1 – Total Exposures	
Total exposures measure	4,703,127
Interconnectedness indicators	
Section 2 – Intra-financial System Assets	
a. Funds Deposited with or lent to Other Financial Institutions (including unused portion of committed lines extended)	
(i) Funds Deposited	144,022
(ii) Lending	5,881
b. Holdings of securities issued by Other Financial Institutions	
c. Net positive current exposure of Securities Financing Transactions (SFTs) with Other Financial Institutions	1,104
d. Over-the-counter (OTC) derivatives with Other Financial Institutions that have a Net Positive Mark to Market Value	157
Intra-financial system assets	151,164
Section 3 – Intra-financial System Liabilities	
a. Funds deposited by or borrowed from Other Financial Institutions (including unused portion of committed lines obtained)	
(i) Funds Deposited	99,911
(ii) Borrowings	379,920
b. Net Negative Current Exposure of Securities financing transactions with Other Financial Institutions	
c. Over-the-counter Derivatives with Other Financial Institutions that have a Net Negative Mark to Market Value	33,602
Intra-financial System Liabilities	513,433
Section 4 – Securities Outstanding	
Securities Outstanding	61,271
Substitutability/Financial Institution Infrastructure Indicators	
Section 5 – Payments made in the reporting year (excluding intra-group payments)	
Payments Activity	18,027,567
Section 6 – Assets Under Custody	
Assets Under Custody	394,988
Section 7 – Underwritten transactions in Debt and Equity Markets	
Underwriting Activity	–
Section 8 – Trading Volume	
Trading volume	133,123
Complexity indicators	
Section 9 – Notional amount of Over-the-counter (OTC) Derivatives	
OTC Derivatives	57,183
Section 10 – Level 2 Assets	
Level 2 Assets	24,850
Section 11 – Trading and available-for-sale (AFS) Securities	
Trading and AFS Securities	5341
Section 12 – Cross-jurisdictional Liabilities	
Foreign Liabilities (excluding Derivatives and Intra-group Liabilities)	
Cross-jurisdictional liabilities	163,966
Section 13 – Cross-jurisdictional Claims	
Foreign claims (excluding Derivatives and Intra-group Liabilities)	
Cross-jurisdictional Claims	47,498

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10 GRI Index

Statement of use

Bank of Ceylon has reported the information cited in this GRI content index for the period 1 January 2022 to 31 December 2022 with reference to the GRI Standards.

GRI 1 used

GRI 1: Foundation 2021

GRI Standard	Disclosure		Location/Explanation
GRI 2: General Disclosures 2021	2-1	Organisational details	8
	2-2	Entities included in the organisation's sustainability reporting	4
	2-3	Reporting period, frequency and contact point	4
	2-4	Restatements of information	4
	2-5	External assurance	407
	2-6	Activities, value chain and other business relationships	40
	2-7	Employees	89.99
	2-8	Workers who are not employees	91
	2-9	Governance structure and composition	123
	2-10	Nomination and selection of the highest governance body	124
	2-11	Chair of the highest governance body	123
	2-12	Role of the highest governance body in overseeing the Management of impacts	121
	2-13	Delegation of responsibility for managing impacts	123
	2-14	Role of the highest governance body in sustainability reporting	121
	2-15	Conflicts of interest	123
	2-16	Communication of critical concerns	124
	2-17	Collective knowledge of the highest governance body	27, 124
	2-18	Evaluation of the performance of the highest governance body	129
	2-19	Remuneration policies	95, 129
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	2-21	Annual total compensation ratio	206
	2-22	Statement on sustainable development strategy	55-59
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	2-27	Compliance with laws and regulations	158, 361
	2-28	Membership associations	116
	2-29	Approach to stakeholder engagement	76-118
	2-30	Collective bargaining agreements	93, 95
GRI 3: Material Topics 2021	3-1	Process to determine material topics	49
	3-2	List of material topics	49-51
	3-3	Management of material topics	49-51, 76-116
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	42
	201-2	Financial implications and other risks and opportunities due to climate change	103, 107
	201-3	Defined benefit plan obligations and other retirement plans	95, 293

GRI Standard	Disclosure		Location/Explanation
GRI 202: Market Presence 2016	202-2	Proportion of senior management hired from the local community	91
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	105, 106
	203-2	Significant indirect economic impacts	82
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	114-115
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	59, 128
GRI 207: Tax 2019	207-1	Approach to tax	188, 197, 209
	207-2	Tax governance, control, and risk management	188, 197, 209
	207-3	Stakeholder engagement and management of concerns related to tax	158, 209
	207-4	Country-by-country reporting	188
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	111, 112
	302-2	Energy consumption outside of the organisation	57, 108
	302-3	Energy intensity	103
	302-4	Reduction of energy consumption	13, 108, 111
	302-5	Reductions in energy requirements of products and services	57
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	112
	305-2	Energy indirect (Scope 2) GHG emissions	112
	305-3	Other indirect (Scope 3) GHG emissions	112
	305-4	GHG emissions intensity	112
	305-5	Reduction of GHG emissions	112
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	13, 113
	306-3	Waste generated	113
	306-4	Waste diverted from disposal	13, 113
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	115
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	94
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	95
	401-3	Parental leave	93
GRI 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarding operational changes	96

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GRI Standard	Disclosure		Location/Explanation
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	403-2	Hazard identification, risk assessment, and incident investigation	96
	403-3	Occupational health services	96
	403-4	Worker participation, consultation, and communication on occupational health and safety	96
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	403-6	Promotion of worker health	96
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	403-8	Workers covered by an occupational health and safety management system	96
	403-9	Work-related injuries	96
	403-10	Work-related ill health	96
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	97
	404-2	Programs for upgrading employee skills and transition assistance programs	56, 97
	404-3	Percentage of employees receiving regular performance and career development reviews	96
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	92-93
	405-2	Ratio of basic salary and remuneration of women to men	91-93
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	96
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	115
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	115
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	115
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	106
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	115
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	87-88

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INDEPENDENT ASSURANCE REPORT TO BANK OF CEYLON

We have been engaged by the Directors of Bank of Ceylon ("the Bank") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 December 2022. The Sustainability Indicators are included in the Bank of Ceylon Integrated Annual Report for the year ended 31 December 2022 (the "Report").

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators as per the statutory Financial Statements (Audited) for the Year ended 31 December 2022, dated 24 February 2023 and the Audit report dated 28 April 2023 thereon	Integrated Annual Report Page
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The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
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Information provided on following	
Customers	78 to 88
Employees	89 to 99
Shareholder and Fund Providers	100 to 102
Community and Environment	103 to 113
Business Partners	114 to 116
Regulators	117 to 118

Our conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Reasonable Assurance Sustainability Indicators

In our opinion, in all material respects, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 December 2022, in all material respects, has been prepared and presented by the management of Bank of Ceylon in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Limited Assurance Sustainability Indicators

Based on the evidence we obtained from the assurance procedures performed, as described below we are not aware of any material misstatements that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 December 2022, have not in all material respects, been prepared and presented by the management of Bank of Ceylon in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Management's Responsibility

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

These responsibilities include establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Bank complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

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Independent Assurance Report – Sustainability

KPMG

Our responsibility

Our responsibility is to express a reasonable assurance conclusion on the Bank's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

Our firm applies Sri Lanka Standard on Quality Management (SLSQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reasonable assurance over Reasonable Assurance Sustainability Indicators

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Bank's internal control over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines, used by the Bank in preparing and presenting the Reasonable Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained,

evaluating the reasonableness of estimates made by the Bank, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

Limited assurance on the Assured Sustainability Indicators

Our limited assurance engagement on the Limited Assurance Sustainability Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of management to gain an understanding of the Bank's processes for determining material issues for the Bank's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Bank;
- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Bank for the purpose of assisting the Directors in determining whether the Bank's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines and for no other purpose or in any other context.

Restriction of use of our report

This report has been prepared for the Directors of Bank of Ceylon for the purpose of providing an assurance conclusion on the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators included in the Bank of Ceylon Integrated Annual Report for the year ended 31 December 2022 and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Bank of Ceylon, or for any other purpose than that for which it was prepared.

kpmg

Chartered Accountants
Colombo
25 April 2023

Statement of Profit or Loss in USD

10

For the year ended 31 December	Bank 2022 USD '000	Bank 2021 USD '000	Group 2022 USD '000	Group 2021 USD '000
Total income	1,413,206	1,448,670	1,434,527	1,484,884
Interest income	1,256,554	1,299,748	1,275,656	1,329,941
Less: Interest expenses	908,598	744,692	918,274	756,237
Net interest income	347,956	555,056	357,382	573,704
Fee and commission income	62,895	88,056	63,798	89,463
Less: Fee and commission expenses	17,863	17,312	17,916	17,505
Net fee and commission income	45,032	70,744	45,882	71,958
Net gains/(losses) from trading	48,477	23,661	48,686	24,013
Net fair value gains/(losses) from financial instruments at fair value through profit or loss	(2,215)	6,721	(2,635)	6,531
Net gains/(losses) from derecognition of financial assets	2,372	1,965	2,418	2,327
Other operating income	45,125	28,519	46,605	32,609
Total operating income	486,747	686,666	498,338	711,142
Less: Impairment charge/(reversal) for loans and other losses	240,026	218,196	240,409	217,838
Net operating income	246,721	468,470	257,929	493,304
Less: Operating expenses				
Personnel expenses	79,842	124,639	86,346	134,335
Depreciation and amortisation expenses	11,806	20,686	12,413	21,152
Other expenses	38,606	62,627	42,478	69,184
Total operating expenses	130,254	207,952	141,237	224,671
Operating profit/(loss) before taxes on financial services	116,467	260,518	116,692	268,633
Less: Taxes on financial services	31,157	45,038	31,512	46,598
Operating profit/(loss) after taxes on financial services	85,310	215,480	85,180	222,035
Share of profits/(losses) of associate companies, net of tax	–	–	338	667
Profit/(loss) before income tax	85,310	215,480	85,518	222,702
Less: Income tax expense/(reversal)	(2,742)	27,936	(2,194)	29,704
Profit/(loss) for the year	88,052	187,544	87,712	192,998
Profit attributable to:				
Equity holder of the Bank	88,052	187,544	88,113	192,035
Non-controlling interest	–	–	(401)	963
Profit/(loss) for the year	88,052	187,544	87,712	192,998
Earnings per share and Dividend per share				
Basic earnings per share (USD)	3.52	7.50	3.52	7.68
Diluted earnings per share (USD)	3.50	7.50	3.51	7.68
Dividend per share (USD)	0.04	0.37	0.04	0.37

Exchange rate of 1 USD was LKR 363.1100 as at 31 December 2022. (LKR 200.4338 as at 31 December 2021)

The Statement of Profit or Loss given in this page does not form part of the Audited Financial Statements and it is solely for the convenience of the shareholders, investors, bankers and other interested parties of the Financial Statements of the Bank.

10 Statement of Comprehensive Income in USD

For the year ended 31 December	Bank 2022 USD '000	Bank 2021 USD '000	Group 2022 USD '000	Group 2021 USD '000
Profit/(loss) for the year	88,052	187,544	87,712	192,998
Items that will be reclassified to the profit or loss				
Exchange differences on translation of foreign operations	20,831	3,964	27,108	5,619
Net gains/(losses) on cash flow hedge instruments	61,638	16,161	61,638	16,161
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income (FVTOCI)	3,660	(6,219)	3,615	(6,269)
Net (gains)/losses on investment in financial assets at FVTOCI reclassification to profit or loss	(16)	(220)	(16)	(220)
Deferred tax effect on above	(386)	1,604	(386)	1,604
Share of other comprehensive income of Associate companies, net of tax	–	–	(56)	57
Total items that will be reclassified to the profit or loss	85,727	15,290	91,904	16,952
Items that will not be reclassified to the profit or loss				
Change in fair value on investments in equity instruments measured at fair value through other comprehensive income (FVTOCI)	(863)	(935)	1,509	(775)
Deferred tax effect on above	(1,615)	202	(1,615)	202
Changes in revaluation surplus/(deficit)	5,007	(1,421)	10,178	1,723
Deferred tax effect on above	(5,120)	4,885	(6,672)	5,709
Net acturial gains/(losses) on defined benefit plans	(10,590)	33,774	(10,457)	34,098
Deferred tax effect on above	4,033	(10,102)	3,915	(10,180)
Total items that will not be reclassified to the profit or loss	(9,148)	26,403	(3,142)	30,777
Other comprehensive income for the year, net of tax	76,580	41,693	88,762	47,729
Total comprehensive income for the year	164,631	229,237	176,474	240,727
Attributable to:				
Equity holder of the Bank	164,631	229,237	176,776	239,622
Non-controlling interest	–	–	(302)	1,105
Total comprehensive income for the year	164,631	229,237	176,474	240,727

Exchange rate of 1 USD was LKR 363.1100 as at 31 December 2022. (LKR 200.4338 as at 31 December 2021)

The Statement of Comprehensive Income given in this page does not form part of the Audited Financial Statements and it is solely for the convenience of the shareholders, investors, bankers and other interested parties of the Financial Statements of the Bank.

Statement of Financial Position in USD

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As at 31 December	Bank 2022 USD '000	Bank 2021 USD '000	Group 2022 USD '000	Group 2021 USD '000
Assets				
Cash and cash equivalents	353,616	412,343	372,424	410,679
Balances with Central Banks	194,141	369,807	194,141	369,807
Placements with banks	45,329	24,733	49,053	26,654
Securities purchased under resale agreements	4,077	10,350	4,030	14,851
Derivative financial instruments	157,405	21,666	157,405	21,666
Financial assets recognised through profit or loss-measured at fair value	28,311	46,050	29,292	48,100
Financial assets at amortised cost				
Loans and advances	6,404,655	12,042,691	6,488,332	12,205,179
Debt and other instruments	4,284,920	5,399,189	4,302,756	5,402,470
Financial assets measured at fair value through OCI	23,934	91,315	29,605	114,151
Investment in subsidiary companies	22,531	40,817	–	–
Investment in associate companies	256	464	1,885	2,971
Investment properties	6,650	12,047	289	537
Property, plant and equipment	95,963	163,433	140,432	234,213
Right of Use Assets/leasehold properties	8,268	15,656	7,227	14,098
Intangible assets	3,972	5,189	4,388	6,060
Deferred tax assets	42,900	10,740	42,958	11,045
Other assets	265,623	308,772	267,900	315,627
Total assets	11,942,551	18,975,262	12,092,117	19,198,108
Liabilities				
Due to banks	31,712	89,486	31,802	93,030
Securities sold under repurchase agreements	496,319	809,027	495,549	806,592
Derivative financial instruments	2,537	1,898	2,537	1,898
Financial liabilities at amortised cost				
Due to depositors	9,183,923	14,303,446	9,248,433	14,399,952
Other borrowers	1,075,403	2,215,734	1,093,563	2,234,528
Debt securities issued	–	–	162	10,513
Current tax liabilities	17,965	3,233	18,875	4,882
Deferred tax liabilities	–	–	7,420	10,743
Insurance provision – Life	–	–	978	2,064
Insurance provision – Non life	–	–	1,825	2,624
Other liabilities	259,083	229,713	265,554	236,793
Subordinated liabilities	175,589	321,098	174,874	319,836
Total liabilities	11,242,531	17,973,635	11,341,572	18,123,455
Equity				
Share capital	70,860	124,729	70,860	124,729
Permanent reserve fund	41,671	72,298	41,671	72,298
OCI reserve	2,372	2,936	7,117	7,401
Cash flow hedge reserve	70,559	16,161	70,559	16,161
Retained earnings	436,827	682,216	440,141	689,027
Other reserves	77,731	103,287	117,287	157,107
Total equity attributable to equity holder of the Bank	700,020	1,001,627	747,635	1,066,723
Non-controlling interest	–	–	2,910	7,930
Total equity	700,020	1,001,627	750,545	1,074,653
Total liabilities and equity	11,942,551	18,975,262	12,092,117	19,198,108
Contingent liabilities and commitments	3,703,836	4,987,815	3,709,400	5,079,691
Net assets value per share (USD)	28.0	40.07	29.91	42.67

Exchange rate of 1 USD was LKR 363.1100 as at 31 December 2022. (LKR 200.4338 as at 31 December 2021)

The Statement of Financial Position given in this page does not form part of the Audited Financial Statements and it is solely for the convenience of the shareholders, investors, bankers and other interested parties of the Financial Statements of the Bank.

10 Quarterly Performance

Summary of the Statement of Profit or Loss

	2022				2021			
	31-Mar LKR million	30-Jun LKR million	30-Sep LKR million	31-Dec LKR million	31-Mar LKR million	30-Jun LKR million	30-Sep LKR million	31-Dec LKR million
Bank								
Net interest income	39,806	41,004	27,106	18,431	23,631	27,851	30,197	29,572
Non interest income	18,375	13,154	9,061	9,806	9,037	5,677	7,212	7,923
Non interest expense	(10,168)	(11,359)	(11,806)	(13,965)	(10,391)	(9,838)	(10,713)	(14,209)
Impairment (charge)/ reversal for loans and other losses	(36,836)	(26,934)	(16,252)	(7,133)	(4,799)	(8,663)	(16,555)	(13,716)
Operating profit before taxes on financial services	11,176	15,865	8,109	7,139	17,478	15,027	10,141	9,570
Taxes on financial services	(2,301)	(2,890)	(2,480)	(3,642)	(2,680)	(2,689)	(1,712)	(1,946)
Profit before income tax	8,875	12,975	5,629	3,497	14,798	12,338	8,429	7,624
Income tax expense	(3,411)	(2,524)	(2,556)	9,487	(1,897)	(3,169)	(2,934)	2,401
Profit after income tax	5,464	10,450	3,073	12,984	12,901	9,169	5,495	10,025
Other comprehensive income	5,287	16,706	3,058	2,758	1,106	(2,759)	4,674	5,336
Total comprehensive | income	10,751	27,156	6,131	15,742	14,007	6,410	10,169	15,361
Group								
Net interest income	40,888	41,763	27,792	19,325	24,586	28,702	31,067	30,635
Non interest income	18,707	13,130	9,430	9,915	9,401	5,580	7,464	8,612
Non interest expense	(11,419)	(12,127)	(12,738)	(15,000)	(11,253)	(10,480)	(11,451)	(15,359)
Impairment (charge)/ reversal for loans and other losses	(36,801)	(27,800)	(15,793)	(6,900)	(4,633)	(8,989)	(16,688)	(13,351)
Operating profit before taxes on financial services	11,375	14,966	8,691	7,340	18,101	14,813	10,392	10,537
Taxes on financial services	(2,380)	(2,869)	(2,510)	(3,683)	(2,775)	(2,706)	(1,764)	(2,095)
Operating profit after taxes on financial services	8,995	12,097	6,181	3,657	15,326	12,107	8,628	8,442
Share of profit/(losses) of associate companies, net of tax	37	33	21	31	52	15	34	32
Profit before income tax	9,032	12,130	6,202	3,688	15,378	12,122	8,662	8,474
Income tax expense	(3,477)	(2,549)	(2,625)	9,448	(1,987)	(3,148)	(2,968)	2,149
Profit after income tax	5,555	9,581	3,577	13,136	13,391	8,974	5,694	10,623
Other comprehensive income	6,793	17,196	3,554	4,795	1,631	(2,699)	4,694	5,942
Total comprehensive income	12,348	26,777	7,131	17,931	15,022	6,275	10,388	16,565

Summary of the Statement of Financial Position

	2022				2021			
	31-Mar LKR million	30-Jun LKR million	30-Sep LKR million	31-Dec LKR million	31-Mar LKR million	30-Jun LKR million	30-Sep LKR million	31-Dec LKR million
Bank								
Assets								
Investments	1,458,047	1,587,610	1,603,157	1,601,082	772,213	756,824	863,268	1,125,018
Loans and advances to customers	2,430,684	2,505,856	2,363,664	2,325,594	2,166,063	2,319,605	2,440,904	2,413,762
Property, plant and equipment	39,069	38,536	38,509	41,704	37,367	36,844	36,358	36,935
Other assets	273,609	334,677	397,169	368,080	169,783	191,355	226,249	227,569
Total assets	4,201,409	4,466,679	4,402,499	4,336,460	3,145,426	3,304,628	3,566,779	3,803,284
Liabilities and equity								
Due to customers	3,127,716	3,252,061	3,314,049	3,334,774	2,543,260	2,642,460	2,766,423	2,866,894
Debt securities and borrowed funds	785,335	778,349	685,420	645,982	382,009	433,852	564,508	688,559
Other liabilities	77,021	204,514	164,588	101,520	49,664	52,913	50,449	47,071
Equity	211,337	231,755	238,442	254,184	170,493	175,403	185,399	200,760
Total liabilities and equity	4,201,409	4,466,679	4,402,499	4,336,460	3,145,426	3,304,628	3,566,779	3,803,284
Group								
Assets								
Investments	1,458,210	1,593,247	1,604,941	1,603,720	773,614	757,487	861,927	1,124,272
Loans and advances to customers	2,466,219	2,540,746	2,398,089	2,355,978	2,197,583	2,349,920	2,471,445	2,446,330
Property, plant and equipment	51,259	50,885	50,772	55,315	51,017	50,575	50,161	50,984
Other assets	275,413	336,140	403,144	375,756	169,381	189,094	225,043	226,364
Total assets	4,251,101	4,521,018	4,456,946	4,390,769	3,191,595	3,347,076	3,608,576	3,847,950
Liabilities and equity								
Due to customers	3,146,490	3,278,528	3,340,117	3,358,198	2,562,629	2,660,452	2,784,999	2,886,237
Debt securities and borrowed funds	794,519	783,884	691,043	652,127	391,596	441,157	569,927	694,403
Other liabilities	82,520	211,259	171,080	107,914	53,642	56,975	54,828	51,914
Equity	226,050	245,889	253,629	271,473	182,370	187,187	197,387	213,807
Non controlling interest	1,522	1,458	1,077	1,057	1,358	1,305	1,435	1,589
Total liabilities and equity	4,251,101	4,521,018	4,456,946	4,390,769	3,191,595	3,347,076	3,608,576	3,847,950

Quarterly Performance

Summary of the Key Performance Indicators

	2022				2021			
	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec
Bank								
Profitability								
Interest margin (%)	3.4	3.9	3.5	3.1	3.1	3.3	3.3	3.3
Return on average assets (before tax) (%)	0.9	1.1	0.9	0.8	1.9	1.7	1.5	1.3
Return on average equity (after tax) (%)	10.6	14.7	11.5	14.1	31.6	26.6	21.5	21.0
Investor Information								
Interest cover (times)	1.4	1.6	1.4	1.3	5.0	4.4	3.5	2.9
Net assets value per share (LKR)	8,453	9,270	9,538	10,167	6,820	7,016	7,416	8,030
Capital Adequacy Ratio								
Common equity Tier I capital adequacy ratio (%)	10.8	10.5	10.7	11.3	9.9	10.4	10.5	12.9
Total Tier I capital adequacy ratio, (%)	11.9	11.6	11.7	12.4	11.1	11.5	11.7	14.3
Total capital adequacy ratio, (%)	14.9	14.4	14.3	15.4	14.6	15.0	15.0	17.8
Assets Quality								
Impaired Loans (Stage 3) Ratio	5.5	5.5	5.6	5.3	N/A	N/A	5.0	5.1
Impairment (Stage 3) to Stage 3 Loans Ratio	51.6	55.3	57.7	59.7	N/A	N/A	49.2	49.1
Regulatory Liquidity								
Statutory liquid assets ratio								
– Domestic banking unit (%)	30.5	21.7	21.0	21.2	29.0	26.2	22.1	25.0
– Off shore banking unit (%)	30.0	23.3	26.2	32.8	29.9	27.4	24.5	25.3
Group								
Profitability								
Interest margin (%)	4.0	3.9	3.6	3.2	3.2	3.4	3.4	3.4
Return on average assets (before tax) (%)	0.9	1.0	0.9	0.8	1.9	1.7	1.5	1.3
Return on average equity (after tax) (%)	10.0	13.1	10.6	13.1	30.4	25.0	20.4	20.1
Investor Information								
Net assets value per share (LKR)	9,042	9,836	10,145	10,859	7,295	7,487	7,895	8,552
Capital Adequacy Ratio								
Common equity Tier I capital adequacy ratio (%)	10.8	10.5	10.9	11.4	10.1	10.5	10.7	12.8
Total Tier 1 capital adequacy ratio, (%)	11.9	11.5	11.9	12.4	11.2	11.5	11.9	14.1
Total capital adequacy ratio, (%)	14.9	14.2	14.5	15.3	14.6	15.0	15.1	17.6

Share Information

As at 31 December	2022		2021	
Shareholder	Number of ordinary shares	Holding %	Number of ordinary shares	Holding %
Government of Sri Lanka	25,000,000	100	25,000,000	100

Debenture Information

The Bank has issued the following debt securities which are listed on Colombo Stock Exchange (CSE).

Unsecured, subordinated, redeemable Debentures (par value LKR 100)	Tenor (Years)	Interest payable frequency	Interest rate (per annum)
October 2013/2023 series	9	Annually	13.25%
	10	Annually	13.75%
September 2014/2022 series	8	Annually	8.25%
	8	Semi annually	6 months TB (gross) rate plus 50 basis points
October 2015/2023 series	8	Annually	9.50%
	8	Semi annually	6 months TB (gross) rate plus 125 basis points
December 2016/2024 series	8	Annually	12.75%
	8	Semi annually	6 months TB (gross) rate plus 125 basis points

Trading Information on Listed Debenture

The debentures that have been traded during the year ended 2022 and 2021 are as follows.

	2022					2021				
	Highest LKR	Lowest LKR	Last traded LKR	Interest yield* %	Yield to maturity %	Highest LKR	Lowest LKR	Last traded LKR	Interest yield* %	Yield to maturity %
BoC Debentures 2013/2023, Unsecured, subordinated, redeemable, 9 years, fixed rate -13.25%	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T
BoC Debentures 2013/2023 Unsecured, subordinated, redeemable, 10 years, fixed rate -13.75%	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T
BoC Debentures 2014/2022, Unsecured, subordinated, redeemable, 8 years, fixed rate -8.25%	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T
BoC Debentures 2014/2022, Unsecured, subordinated, redeemable, 8 years, floating rate 06 months TB rate (gross) plus 50 basis points	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T
BoC Debentures 2015/2023, Unsecured, subordinated, redeemable, 8 years, fixed rate -9.5%	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T
BoC Debentures 2015/2023, Unsecured, subordinated, redeemable, 8 years, floating rate 06 months TB rate (gross) plus 125 basis points	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T
BoC Debentures 2016/2024, Unsecured, subordinated, redeemable, 8 years, fixed rate -12.75%	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T
BoC Debentures 2016/2024, Unsecured, subordinated, redeemable, 8 years, floating rate 06 months TB rate (gross) plus 125 basis points	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T	N/T

** As the date of last trade done*

N/T – Not Traded

10 Ten Year Statistical Summary – Bank

For the year ended 31 December	2013 LKR million	2014 LKR million	2015 LKR million	2016 LKR million	2017 LKR million	2018 LKR million	2019 LKR million	2020 LKR million	2021 LKR million	2022 LKR million
Operating results										
Income	127,464	126,546	131,502	154,121	189,211	221,021	239,116	247,164	290,362	513,149
Interest income	114,863	107,395	112,745	134,685	171,344	195,394	220,477	226,311	260,513	456,267
Interest expenses	(77,720)	(68,945)	(66,419)	(80,728)	(112,988)	(129,836)	(145,331)	(151,535)	(149,261)	(329,921)
Net interest income	37,143	38,450	46,326	53,957	58,356	65,558	75,146	74,776	111,252	126,346
Other operating income	12,601	19,151	18,756	19,437	17,868	25,627	18,640	20,853	29,849	56,882
Other operating expenses	(31,324)	(33,258)	(34,987)	(35,940)	(38,632)	(48,181)	(53,580)	(66,619)	(88,885)	(140,938)
Operating profit before taxes on financial services	18,420	24,343	30,095	37,454	37,592	43,004	40,206	29,010	52,216	42,290
Taxes on financial services	(2,711)	(4,052)	(4,816)	(6,265)	(7,249)	(9,588)	(10,521)	(5,458)	(9,027)	(11,313)
Profit before income tax	15,709	20,291	25,279	31,189	30,343	33,416	29,685	23,552	43,189	30,977
Income tax expense	(3,622)	(6,717)	(7,922)	(6,398)	(9,031)	(12,413)	(6,587)	(5,787)	(5,599)	995
Profit for the year	12,087	13,574	17,357	24,791	21,312	21,003	23,098	17,765	37,590	31,972

As at 31 December	2013 LKR million	2014 LKR million	2015 LKR million	2016 LKR million	2017 LKR million	2018 LKR million	2019 LKR million	2020 LKR million	2021 LKR million	2022 LKR million
Assets										
Cash and cash equivalents	24,901	35,583	79,917	67,706	72,843	78,447	64,869	84,417	82,647	128,401
Balances with Central Banks	28,699	30,422	38,940	56,388	68,689	65,680	54,594	33,352	74,122	70,495
Placements with banks	19,315	13,349	27,976	11,675	8,067	40,450	44,476	27,616	4,957	16,459
Loans and advances to customers	725,332	741,348	826,790	1,000,082	1,163,161	1,429,107	1,549,805	1,988,409	2,413,762	2,325,594
Other financial assets	335,455	438,554	522,762	461,193	567,778	579,023	599,352	752,159	1,116,130	1,576,349
Investments in subsidiaries and associates	7,672	7,056	7,056	6,306	6,606	6,606	6,606	6,606	8,274	8,274
Investment properties	–	–	–	3,000	2,883	2,766	2,649	2,534	2,415	2,415
Property, plant and equipment and Right of Use assets	12,089	16,296	16,431	15,584	23,148	24,277	29,059	36,575	35,895	37,847
Intangible assets	501	385	373	563	811	1,238	1,127	1,021	1,040	1,442
Net employee benefit assets, derivative financial instruments and other assets	39,617	46,027	48,044	46,794	37,818	57,237	62,580	50,292	64,042	169,184
Total assets	1,193,581	1,329,020	1,568,289	1,669,291	1,951,804	2,284,831	2,415,117	2,982,981	3,803,284	4,336,460
Liabilities										
Due to banks	1,166	890	2,630	2,042	2,203	2,402	2,669	2,402	17,936	11,515
Due to customers	842,070	933,966	1,082,337	1,256,589	1,546,832	1,770,975	2,005,212	2,474,775	2,866,894	3,334,774
Debt securities issued and subordinated term debts	45,326	53,282	39,055	42,072	42,570	50,827	54,222	64,637	64,359	63,758
Other borrowings	235,370	246,736	337,442	254,895	222,679	299,192	172,017	237,991	606,264	570,708
Current tax liabilities	–	–	2,081	–	1,877	3,922	–	592	648	6,523
Other liabilities	11,949	19,340	23,259	20,843	24,488	25,343	38,714	45,925	46,423	94,998
Total liabilities	1,135,881	1,254,214	1,486,804	1,576,441	1,840,649	2,152,661	2,272,834	2,826,322	3,602,524	4,082,276
Equity										
Share capital	5,000	10,000	10,000	15,000	20,000	25,000	25,000	25,000	25,000	25,730
Permanent reserve fund	3,538	3,810	5,210	7,996	10,427	12,890	13,383	13,739	14,491	15,131
Retained earnings	31,419	44,861	51,086	54,155	63,472	78,062	87,689	96,984	136,739	158,616
Other reserves	17,743	16,135	15,189	15,699	17,256	16,218	16,211	20,936	24,530	54,707
Total equity	57,700	74,806	81,485	92,850	111,155	132,170	142,283	156,659	200,760	254,184
Total liabilities and equity	1,193,581	1,329,020	1,568,289	1,669,291	1,951,804	2,284,831	2,415,117	2,982,981	3,803,284	4,336,460
Contingent liabilities and commitments	655,441	721,763	696,857	547,399	496,477	508,307	508,218	580,449	999,727	1,344,900

As at 31 December	2013 LKR million	2014 LKR million	2015 LKR million	2016 LKR million	2017 LKR million	2018 LKR million	2019 LKR million	2020 LKR million	2021 LKR million	2022 LKR million
Ratios										
Return on average assets (%)	1.4	1.6	1.7	1.9	1.7	1.6	1.3	0.9	1.3	0.8
Return on average equity (%)	22.2	20.5	22.2	28.4	20.9	17.3	16.8	11.9	21.0	14.1
Income growth (%)	15.7	(0.7)	3.9	17.2	22.8	16.8	8.2	3.4	17.5	76.7
Capital adequacy ratio (%) *										
– Tier I	8.4	9.5	9.1	8.7	10.8	10.3	11.2	11.2	14.3	12.4
– Tier I + Tier II	12.1	13.6	13.1	12.3	14.6	14.6	15.6	14.9	17.8	15.4
Capital funds to liabilities including contingent liabilities (%)	3.2	3.8	3.7	4.4	4.8	5.0	5.1	4.6	4.5	4.7
Liquidity ratio – domestic (%)	27.7	30.8	28.2	21.6	27.2	24.5	24.6	26.6	25.0	21.2
Cost to income ratio (%)	49.1	44.0	44.7	43.0	38.4	38.1	37.3	37.0	32.0	29.4
Other information										
Number of employees	8,883	8,577	7,980	7,569	7,587	8,724	8,503	8,479	8,337	8,209
Number of branches	567	573	578	580	578	577	581	582	581	581
Number of ATMs, CDMs and CRMs	523	540	563	801	932	1,057	1,197	1,130	1,400	1,457
Number of advances ('000)	3,193	2,384	2,146	2,122	2,226	2,606	2,715	2,598	2,396	2,354
Number of deposits ('000)	11,606	12,311	12,322	12,706	13,254	13,421	14,480	15,027	15,287	15,863
Cash flow from operating activities	47,051	72,987	127,503	(21,346)	135,039	(25,790)	36,213	95,370	55,027	215,253
Cash flow from investing activities	(51,351)	(27,222)	(101,988)	83,642	(56,384)	11,667	25,620	(102,961)	(298,678)	(12,774)
Cash flow from financing activities	(4,377)	(29,519)	17,982	(73,927)	(73,822)	19,983	(75,901)	28,045	226,463	(150,755)
Capital expenditure on purchase of PPE and Lease hold properties	(1,682)	(1,743)	(1,332)	(2,053)	(3,081)	(3,400)	(3,386)	(2,946)	(1,771)	(2,244)

Note:

* 2017 onwards capital adequacy ratio figures are as per Basel III guidelines issued by the Central Bank of Sri Lanka.

Disclosure in terms of Section 7.6 (xvi) of the Listing Rules of the Colombo Stock Exchange on related party transactions exceeding 10% of the equity or 5% of the total assets of the Bank

The Bank did not carry out any transactions exceeding 10% of the equity or 5% of the total assets of the Bank, whichever is lower, with the related parties given in Note 61 to the Financial Statements, except for the transactions engaged with the Government of Sri Lanka and Government related entities.

The Government of Sri Lanka, who holds 100% shareholding in Bank of Ceylon and Government related entities, carry out transactions with the Bank, in the ordinary course of business and the aggregate monetary value of these transactions exceeded the threshold given in Section 7.6 (xvi) of the Listing Rules of Colombo Stock Exchange.

These transactions include:

1. Overdraft facility granted to the Deputy Secretary to the Treasury.
2. Foreign currency loans granted to the Government of Sri Lanka and State-Owned Enterprises.
3. Investment in Sri Lanka Development Bonds, Sovereign Bonds and Restructuring Bonds issued by the Government of Sri Lanka.
4. Extending of trade finance credit and other related services to facilitate import transactions of the Government of Sri Lanka and State-Owned Enterprises.
5. Deposits made by the Government and Government related entities with the Bank

Most of these transactions are considered as recurrent nature transactions and the outstanding balances as at reporting date are given in Note 61.4 to the Financial Statements.

10 Subsidiaries and Associates

Name of the subsidiary/associate	Present composition
Merchant Bank of Sri Lanka & Finance PLC BoC Merchant Tower, No. 28, St. Michael's Road, Colombo 03. Phone : +94 11 471 1711, +94 11 256 5636 Fax : +94 11 256 5666 E-mail : mbslbank@mbslbank.com Website : www.mbslbank.com	**Mr Kanchana Ratwatte** Non-Independent Non-Executive Director/Chairman **Mr A M A Perera** Non-Executive Director **Dr N S Punchihewa** Non-Executive Director **Mr J D V N Jayasinghe** Non-Executive Director **BoC Representatives** **Mr W P Russel Fonseka** Non-Executive Director **Mr M P Ruwan Kumara** Non-Executive Director **Mr G A Jayashantha** Non-Executive Director **Mr H P K Silva** Non-Executive Director **Mr R M N Jeewantha** Non-Executive Director
Property Development PLC 19th Floor, BoC Head Office Building, "BoC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01. Phone : +94 11 254 4328 Fax : +94 11 254 4329 E-mail : pdlhrm@sltnet.lk	**Mr Kanchana Ratwatte** Non-Executive Director/Chairman **Ms D G De Silva** Non-Executive Director **Mr D G R M Kumar** Non-Executive Director **BoC Representatives** **Mr W P Russel Fonseka** Non-Executive Director **Mr Y A Jayathilaka** Non-Executive Director **Mr R B M Gunawardena** Non-Executive Director Alternate to Mr W P Russel Fonseka **Mr S Sivanjan**
BoC Travels (Private) Limited 1st Floor, BoC Super Grade Branch Building, Baseline Road, Colombo 08. Phone : +94 11 268 8154-8 Fax : +94 11 268 8175 E-mail : info@boctravels.lk Website : www.boctravels.com	**Mr H K C De Silva** Non-Executive Director/Chairman **BoC Representatives** **Mr K E D Sumanasiri** Non-Executive Director **Mr M R N Rohana Kumara** Non-Executive Director **Mr D S Muthukudaarachchi** Non-Executive Director
BoC Property Development and Management (Private) Limited 10th Floor, BoC Merchant Tower, No. 28, St. Michael's Road, Colombo 03. Phone : +94 11 230 1911 Fax : +94 11 237 0606 E-mail : bocmt@bocpdml.lk	**Mr Kanchana Ratwatte** Non-Executive Director/Chairman **BoC Representatives** **Mr K E D Sumanasiri** Non-Executive Director **Mr G A Jayashantha** Non-Executive Director **Mr M P Ruwan Kumara** Non-Executive Director

Name of the subsidiary/associate	Present composition
Hotels Colombo (1963) Limited No. 02, York Street, Colombo 01. Phone : +94 11 232 0320, +94 11 522 1100 Fax : +94 11 244 7640 E-mail : info@grandoriental.com Website : www.grandoriental.com	**Mr Kanchana Ratwatte** Non-Executive Director/Chairman **BoC Representatives** **Mr K E D Sumanasiri** Non-Executive Director **Mr Y A Jayathilaka** Non-Executive Director
BoC Management & Support Services (Private) Limited – *(Under liquidation)* BoC Head Office Building, "BoC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01. Phone : +94 11 243 2680	**Mr K E D Sumanasiri** Non-Executive Director/Chairman **Mr A W R Thushantha** Non-Executive Director **Mr K A D Wijayawardhana** Non-Executive Director (All from BoC Management)
Ceybank Holiday Homes 12th Floor, BoC Head Office Building, "BoC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01. Phone : +94 11 244 7845, +94 11 220 4103-4 Fax : +94 11 244 7845 E-mail : ceybankhh@gmail.com Website : www.ceybankholidayhomes.com	**Mr K E D Sumanasiri** Non-Executive Director/Chairman **Mr B K Gurusinghe** Non-Executive Director **Mr K A D Wijayawardhana** Non-Executive Director **Mr A R Mallikarachchi** Non-Executive Director (All from BoC Management)
Bank of Ceylon (UK) Limited No: 1, Devonshire Square, London EC2M 4WD, United Kingdom. Phone : +44 207 3771 888 Fax : +44 207 3775 430 E-mail : info@bankofceylon.co.uk Website : www.bankofceylon.co.uk	**Mr Kanchan Ratwatte** Non-Executive Director/Chairman **Mr W D R Swanney** Non-Executive Independent Director **Mr R England** Non-Executive Independent Director **BoC Representatives** **Mr K E D Sumanasiri** Non-Executive Non-Independent Director **Mr S Aruna Kumara** Executive Director/Chief Executive Officer **Mr P L Balasuriya** Non-Executive Independent Director

Name of the subsidiary/associate	Present composition
MBSL Insurance Company Limited No. 122, Kew Road, Colombo 02. Phone : +94 11 230 4500 Fax : +94 11 230 0499 E-mail : info@mbslinsurance.lk Website : www.mbslinsurance.lk	**Mr D P K Gunasekara** Non-Executive Director/Chairman **Mr H K D W M D K Hapuhinne** Non-Executive/ Non-Independent Director **Mr P I Kandanaarachchi** Non-Executive/ Non-Independent Director **Mr W L A Fernando** Executive/Non-Independent Managing Director **Mr W L Karunarachchi** Non-executive/ Non-Independent Director **Ms W S R Fernando** Non-executive/ Non-Independent Director **Mr W D S Liyanage** Non-executive/ Non-Independent Director
Ceybank Asset Management Limited No. 85, York Street, Colombo 01. Phone : +94 11 760 2002 Fax : +94 11 232 7203 E-mail : info@ceybank.com Website : www.ceybank.com	**Mr A N Fernando** (23.2.2021 – 13.1.2022) Non-Executive Director/Chairman **Mr G Wickramage** Non-Executive Director/Chairman **Ms V Govindan** Non-Executive Director **Mr A D Perera** Non-Executive Director **Mr I C C Ferdinands** Non-Executive Director **Ms W S Kulasinghe** Non-Executive Director **BoC Representatives** **Mr R M N Jeewantha** Non-Executive Director **Mr G A Jayashantha** Non-Executive Director

Name of the subsidiary/associate	Present composition
Lanka Securities (Private) Limited (LSL) No. 228/1, Galle Road, Colombo 04. Phone : +94 11 470 6757 Fax : +94 11 470 6767 E-mail : lankasec@sltnet.lk Website : www.lankasecurities.com	**Ms A Taseer** Non-Executive Director/Chairman **Mr M E Ul-Haq** Non-Executive Director **Mr S A Taseer** Non-Executive Director **Mr K U D Gamage** Executive Director **Mr W M D K Hapuhinne** Non-Executive Director **BoC Representatives** **Mr R M N Jeewantha** Non-Executive Director Alternate Director to Ms A Taseer **Mr I Hafeez** Alternate Director to **Mr S A Taseer** **Mr S Taseer** Alternate Director to Mr M E Ul-Haq **Mr S A Taseer**
Transnational Lanka Records Solutions (Pvt) Ltd. No. 55/60, Vauxhall Lane, Colombo 02. Phone : +94 11 757 4574 Fax : +94 11 451 4588 E-mail : suneth@transnational-grp.com Website : www.transnational-grp.com	**Ms R Jayamaha** Non-Executive Director **Mr D K W Liew** Non-Executive Director **Mrs P C Dodanwela** Non-Executive Director **Ms D M H Liew** Non-Executive Director **Mr J L C Yew** Non-Executive Director **BoC Representatives** **Mr W P R P H Fonseka** Non-Executive Director **Mr M R N R Kumara** Non-Executive Director **Mr R M N Jeewantha** Alternate Director to Mr W P R P H Fonseka

10 Correspondent Relationships By Country

Argentina

1. Banco Supervielle

Australia

2. Australia & New Zealand Banking Group Ltd
3. Bank of America, N.A.
4. Bank of Queensland Ltd
5. Bank of Sydney Ltd
6. Citibank NA
7. Citigroup Pty Limited
8. HSBC Bank
9. J P Morgan Chase
10. National Australia Bank

Austria

11. ERSTE Group Bank AG
12. Oberbank AG
13. Raiffeisen Bank International AG
14. Raiffeisenlandesbank Niederoesterreich-Wien AG
15. Raiffeisenlandesbank Oberosterreich Aktiengesellschaft
16. Raiffeisen-Landesbank Steiermark AG
17. UNI Credit Bank Austria AG Bank Austria Creditanstalt AG

Bahrain

18. Ahli United Bank
19. Albaraka Islamic Bank BSC
20. Alubaf Arab International Bank BSC
21. Arab Banking Corporation BSC
22. Bahrain Islamic Bank BSC
23. Bank Al Habib Limited
24. Habib Bank Ltd
25. National Bank of Bahrain
26. Standard Chartered Bank

Bangladesh

27. Agrani Bank
28. Al-Arafah Islami Bank Ltd
29. Bangladesh Krishi Bank
30. Bank Alfalah Limited
31. Bank Asia Ltd
32. BASIC Bank Limited (Bangladesh Small Industries and Commerce Bank Limited)
33. Commercial Bank of Ceylon PLC
34. Dutch-Bangla Bank Ltd
35. Eastern Bank Ltd
36. Export Import Bank of Bangladesh Ltd
37. Islami Bank Bangladesh Ltd
38. Jamuna Bank Limited
39. Janata Bank
40. Prime Bank Ltd
41. Sonali Bank
42. Standard Chartered Bank
43. The Premier Bank Limited
44. Uttara Bank
45. Woori Bank

Belgium

46. BNP Paribas Fortis SA
47. Byblos Bank Europe SA
48. CBC Banque SA
49. Deutsche Bank AG
50. KBC Bank NV
51. Sumitomo Mitsui Banking Corporation

Brazil

52. Banco Do Brazil
53. Banco Santander (Brasil) SA

Bulgeria

54. Central Cooperative Bank
55. Raiffeisenbank (Bulgaria) EAD
56. Unicredit Bulbank AD

Canada

57. Bank of America National Association
58. Bank of Montreal (BOFMCAM2)
59. Bank of Montreal (BOFMCAT2)
60. Bank of Nova Scotia
61. Canadian Imperial Bank of Commerce
62. HSBC Bank Canada
63. ICICI Bank
64. Royal Bank of Canada
65. SBI Canada Bank
66. Federation des caisses Desjardins du Quebec
67. Toronto Dominion Bank

Chile

68. Banco Bice
69. Banco De Chile
70. Banco De Credito E Inversiones
71. Itau Corpbanca

China

72. Agricultural Bank of China
73. Agricultural Development Bank of China
74. Allied Commercial Bank
75. Bank of Beijing
76. Bank of Changsha
77. Bank of China Limited
78. Bank of Communications Co. Ltd (COMMCNSH)
79. Bank of Communications Co. Ltd (COMMCN3X)
80. Bank of Hangzhou Co. Ltd
81. Bank of Jiangsu Co. Ltd
82. Bank of Jining Co. Ltd
83. Bank of Nanjing
84. Bank of Ningbo
85. Bank of Ruifeng
86. Bank of Shanghai
87. Changshu Rural Commercial Bank
88. China Citic Bank
89. China Construction Bank
90. China Development Bank Corporation
91. China Everbright Bank
92. China Merchants Bank
93. China Minsheng Bank
94. Commerzbank AG
95. Export Import Bank of China
96. Hankou Bank
97. HSBC Bank (China) Company Limited
98. Hua Xia Bank
99. Huishang Bank Corporation Ltd
100. Industrial and Commercial Bank of China
101. Industrial Bank Co. Ltd
102. Jiangsu Jiangyin Rural Commercial Bank
103. Laishang Bank Co. Ltd
104. Linshang Bank Co. Ltd
105. Ping An Bank Co. Ltd
106. Postal Savings Bank of China
107. Qilu Bank Co. Ltd
108. Skandinaviska Enskilda Banken AB (Publ)
109. Standard Chartered Bank (China) Limited
110. Ningbo Commerce Bank Company Ltd
111. Wells Fargo Bank
112. Xiamen Bank Co. Ltd
113. Zhejiang Tailong Commercial Bank Co. Ltd
114. Zhejiang Xiaoshan Rural Commercial Bank Company Limited

Craotia

115. Zagrebacka Banka DD

Cyprus

116. Bank of Cyprus Public Company Ltd
117. Hellenic Bank Public Company Limited

Czech Republic

118. Ceskoslovenska Obchodni Banka AS
119. Komercni Banka AS
120. Moneta Money Bank AS
121. Unicredit Bank Czech Republic and Slovakia AS

Denmark

122. Danske Bank A/S
123. Nordea Bank Denmark AS
124. Sydbank A/S

Egypt

125. Al Baraka Bank Egypt
126. Arab International Bank
127. Export Development Bank of Egypt
128. Faisal Islamic Bank of Egypt SAE
129. National Bank of Egypt
130. Qatar National Bank Alahli SAE (QNB Alahli)
131. First Abudhabi Bank Misr SAE

Estonia

132. SEB Bank AS

Eswatini

133. First National Bank of Eswatini Limited

Ethiopia

134. Commercial Bank of Ethiopia

Fiji

135. Australia and New Zealand Banking Group Limited

Finland

136. Aktia Bank PLC
137. Danske Bank A/S
138. Nordea Bank Finland PLC
139. OP Corporate Bank PLC
140. Skandinaviska Enskilda Banken

France

141. Banque Wormser Feres
142. Banque Palatine
143. Banques Populaires-Groupe BPCE
144. CM-CIC Banques
145. Commerzbank AG
146. Credit Agricole CIB
147. Credit Agricole SA
148. Credit Cooperatif
149. Credit Du Nord
150. Credit Mutuel - CIC Banques
151. Credit Mutuel Arkea

152. HSBC Continental Europe
153. Ley Credit Lyonnais
154. Natixis
155. Societe Generale
156. Union De Banques Arabes ET Françaises
157. BNP Paribas SA

Georgia

158. JSC Bank of Georgia

Germany

159. Barclays Bank Ireland PLC
160. Bayerische Landesbank
161. Berliner Sparkasse - Landesbank Berlin AG
162. Commerzbank AG (COBADEHH)
163. Commerzbank AG (DRESDEFF)
164. Commerzbank AG (CODADEDD)
165. Commerzbank AG (COBADEFF)
166. Deutsche Bank AG (DEUTDEFF)
167. Deutsche Bank AG (DEUTDE 3B)
168. Deutsche Bank AG (DEUTDE 6F)
169. Deutsche Bank AG (DEUTDE 8L)
170. Deutsche Bank AG (DEUTDE BB)
171. Deutsche Bank AG (DEUTDE DD)
172. Deutsche Bank AG (DEUTDE DK)
173. Deutsche Bank AG (DEUTDE DW)
174. Deutsche Bank AG (DEUTDE HH)
175. Deutsche Bank AG (DEUTDE MM)
176. Deutsche Bank AG (DEUTDE SM)
177. Deutsche Bank AG (DEUTDE SS)
178. DNB Bank ASA
179. Dz Bank AG
180. Dz Bank AG Deutsche Zentral (GENODEFF)
181. Dz Bank AG Deutsche Zentral (GENODESG)
182. Dz Bank AG Deutsche Zentral (GENODE55)
183. Frankfurter Volksbank EG
184. Hamburger Sparkasse AG
185. HSBC Trinkaus & Burkhardt KGA
186. J.P. Morgan AG
187. Joh. Berenberg Gossler & Co. KG
188. Kreissparkasse Goppingen
189. Landesbank Baden-Wurttemberg
190. Landesbank Hessen Thuringen Girozentrale
191. M.M. Warburg & Co (AG & Co) KGaA
192. Mainzer Volksbank EG
193. Norddeutsche Landesbank (DRLADE22)
194. ODDO BHF Aktiengeselschaft
195. Oldenburgische Landesbank AG
196. Sparkasse Bremen AG, Die
197. Sparkasse Freiburg-Noerdlicher Breisgau
198. Sparkasse Hannover
199. Sparkasse Pforzheim Calw
200. Standard Chartered Bank
201. The Bank of New York Mellon
202. Unicredit Bank AG

Greece

203. Eurobank Ergasias SA
204. National Bank of Greece S.A.
205. Piraeus Bank SA

Hong Kong

206. Banco Santander SA
207. Bank of America National Association
208. BNP Paribas
209. Canara Bank
210. Chong Hing Bank Limited
211. Citibank NA
212. Commerzbank AG
213. Dah Sing Bank Limited
214. DBS Bank (Hong Kong) Ltd
215. DBS Bank Ltd
216. Deutsche Bank AG
217. Habib Bank Zurich (Hong Kong) Limited
218. Hang Seng Bank Ltd
219. Hongkong & Shanghai Banking Corporation
220. ICICI Bank Ltd
221. Indian Overseas Bank
222. Intesa Sanpaolo Spa Hong Kong
223. JPMorgan Chase Bank, N.A.
224. Mashreqbank PSC
225. Mizuho Bank Ltd
226. MUFG Bank Ltd
227. OCBC Wing Hang Bank Ltd
228. Oversea - Chinese Banking Corporation
229. Shanghai Commercial Bank Ltd
230. Shinhan Bank
231. Skandinaviska Enskilda Banken AB
232. Standard Chartered Bank (Hong Kong) Limited
233. Sumitomo Mitsui Banking Corporation
234. UBS AG
235. Wells Fargo Bank NA

Hungary

236. Budapest Bank NYRT
237. Raiffeisen Bank ZRT

India

238. Axis Bank
239. Bank of America, N.A.
240. Bank of Baroda
241. Bank of India
242. Bank of Maharashtra
243. Bank of Nova Scotia
244. BNP Paribas
245. Canara Bank
246. Central Bank of India
247. Citibank NA
248. City Union Bank Limited
249. Credit Agricole CIB
250. DBS Bank India Limited
251. DCB Bank Ltd
252. Dena Bank
253. Deutsche Bank AG
254. Doha Bank QSC
255. Export-Import Bank of India
256. Federal Bank Limited
257. HDFC Bank
258. ICICI Bank Ltd
259. IDBI Bank Ltd
260. Indian Bank
261. Indian Bank (IDIBINBB)
262. Indian Overseas Bank
263. Indusind Bank Ltd
264. Ing Vysya Bank
265. Jammu & Kashmir Bank Ltd
266. JPMorgan Chase Bank, NA
267. Karnataka Bank Ltd
268. Karur Vysya Bank
269. Kotak Mahindra Bank Limited
270. Mashreq Bank
271. Mizuho Bank Ltd
272. MUFG Bank Ltd
273. Punjab & Sind Bank Ltd
274. Punjab National Bank (PUNBINBB)
275. Punjab National Bank (ORDCINBB)
276. Punjab National Bank (UTDIINBB)
277. RBLI Bank Ltd
278. Saraswat - Cooperative Bank Ltd
279. Shinhan Bank
280. Standard Chartered Bank
281. State Bank of Bikaner and Jaipur
282. State Bank of India
283. Sumitomo Mitsui Banking Corporation
284. Svc Co-Operative Bank Limited
285. Syndicate Bank
286. Tamilnad Mercantile Bank Ltd
287. The Hongkong and Shanghai Banking Corporation Limited
288. The Kalupur Commercial Co-Operative Bank Limited
289. UCO Bank
290. Union Bank of India (UBININBB)
291. Union Bank of India (ANDBINBB)
292. Union Bank of India (ALLAINBB)
293. Vijaya Bank
294. Yes Bank
295. Bank of Baroda IFSC
296. ICICI Bank Ltd – Giftcity Branch

Indonesia

297. Bank Dbs Indonesia, PT
298. Citibank, NA
299. Indonesia Eximbank (PT Bank Ekspor Indonesia)
300. MUFG Bank Ltd
301. PT Bank CIMB Niaga Tbk.
302. PT Bank Danamon Indonesia, TBK
303. PT Bank HSBC
304. PT Bank Mandiri (Persero)
305. PT Bank Negara Indonesia TBK
306. PT Bank Pan Indonesia TBK (Panin Bank)
307. PT Bank Permata TBK
308. PT Bank Rakyat Indonesia (Persero), TBK
309. PT Bank SBI Indonesia
310. PT Bank Woori Saudara Indonesia 1906 TBK
311. Standard Chartered Bank
312. Bank Central Asia PT

Ireland

313. AIB Bank
314. Bank of Ireland
315. Citibank Europe PLC

Israel

316. Bank Hapoalim BM
317. Bank Leumi Le Israel BM
318. Citibank N.A.
319. Israel Discount Bank
320. Mercantile Discount Bank Ltd
321. Mizrahi Tefahot Bank Ltd
322. Union Bank of Israel Ltd

Correspondent Relationships By Country

Italy

323. Banca Del Piemonte
324. Banca Monte Dei Paschi Di Siena
325. Banca Nazional Del Lavoro Spa
326. Banca Popolare - Volksbank (Banca Popolare Dell Alto Adige)
327. Banca Popolare Di Sondrio
328. Banca Popolare Pugliese
329. Banco Bpm Spa (BAPPIT22)
330. Banco Di Desio E Della Brianza Spa
331. Bper Banca S.P.A.
332. Credit Agricole Italia Spa
333. Credito Emiliano S.P.A.
334. Iccrea Banca - Istituto Centrale Del Credito Cooperativo
335. Intesa Sanpaolo Spa (BCITITMM)
336. Solution Bank Spa
337. Unicredit Bank AG (Unicredito Italiano Spa)
338. Unipol Banca Spa
339. Banca UBAE SPA

Japan

340. 77 Bank Ltd
341. Australia & New Zealand Banking Group Ltd
342. Bank of Fukuoka Ltd
343. Bank of Kyoto
344. Bank of Yokohama Ltd
345. Bnp Paribas S.A.
346. Chiba Kogyo Bank Ltd
347. Chukyo Bank Ltd
348. Citibank N.A.
349. Commerzbank AG Tokyo
350. Deutsche Bank AG
351. Gunma Bank Limited
352. Hongkong and Shanghai Banking Corporation Limited
353. Iyo Bank Ltd
354. Joyo Bank Ltd
355. Kansai Mirai Bank
356. Kiraboshi Bank Ltd
357. Kookmin Bank
358. Kyoto Chuo Shinkin Bank
359. Mizuho Bank Ltd
360. MUFG Bank
361. Okazaki Shinkim Bank
362. Resona Bank Limited
363. Saitama Resona Bank Ltd
364. Shiga Bank Ltd
365. Shinkin Central Bank
366. Standard Chartered Bank
367. Sumitomo Mitsui Banking Corporation
368. The Asahi Shinkin Bank
369. The Ashikaga Bank Ltd
370. The Shizuoka Bank Ltd
371. The Yokohama Shinkin Bank
372. Tokushima Taisho Bank Ltd
373. Wells Fargo Bank N.A.
374. Yamanashi Chuo Bank Ltd

Jordan

375. Arab Bank PLC
376. Bank Al Etihad
377. Bank of Jordan PLC
378. Cairo Amman Bank
379. Housing Bank for Trade & Finance
380. Invest Bank
381. Islamic International Arab Bank Ltd
382. Jordan Ahli Bank PLC
383. Jordan Commercial Bank
384. Jordan Kuwait Bank
385. Standard Chartered Bank

Kenya

386. ABSA Bank Kenya PLC

Korea

387. Citi Bank Korea Inc
388. Daegu Bank Ltd
389. Industrial Bank of Korea
390. JPMorgan Chase Bank, N.A.
391. Keb Hana Bank
392. Kookmin Bank
393. Kyongnam Bank
394. Nonghyup Bank
395. Shinhan Bank
396. Suhyup Bank
397. Sumitomo Mitsui Banking Corporation
398. The Busan Bank Co Ltd
399. The Export-Import Bank of Korea
400. The Hongkong and Shanghai Banking Corporation Limited
401. The Kwangju Bank Ltd
402. Union De Banques Arabes ET Francaises
403. Woori Bank

Kuwait

404. Boubyan Bank (K.S.C)
405. Burgan Bank SAK
406. Citibank N.A.
407. Kuwait Finance House (K.S.C.)
408. National Bank of Kuwait Sakp

Lebanon

409. Arab Bank PLC
410. Bank Audi SAL – Audi Saradar Group
411. Bank of Beirut SAL
412. Bankmed SAL
413. BBAC SAL
414. BLC Bank SAL
415. Credit Libanais SAL
416. First National Bank SAL
417. Fransbank SAL
418. LGB Bank SAL
419. MEAB Bank (Middle East & Africian Bank SAL)
420. Societe Generale Banque Au Liban SAL

Malaysia

421. Affin Bank
422. AmBank (M) Berhad
423. CIMB Bank
424. Citibank
425. Deutsche Bank
426. Hong Leong Bank
427. HSBC Bank
428. Malayan Banking
429. MUFG Bank
430. OCBC (Malaysia) Verhad Kuala Lumpur
431. Public Bank
432. RHB Bank
433. Standard Chartered Bank
434. United Overseas Bank

Maldives

435. Bank of Maldives PLC
436. Hongkong and Shanghai Banking Corporation Limited
437. Maldives Islamic Bank PLC
438. State Bank of India
439. The Mauritius Commercial Bank Limited

Mauritius

440. ABC Banking Corperation
441. Maubank Ltd
442. SBM Bank
443. The Mauritius Commercial Bank Ltd

Mexico

444. Banco Nacional De Mexico SA
445. Banco Santander Mexico, SA Institucion De Banca Multiple, Grupo Financiero Santander Mexico
446. BBVA Bancomer SA

Morocco

447. Attijariwafa Bank

Nambia

448. First National Bank of Namibia Limited

Nepal

449. Kumari Bank Ltd
450. Nabil Bank Limited
451. Nepal Credit Commercial Bank
452. Prabhu Bank Ltd
453. Siddhartha Bank Limited
454. Standared Chartered Bank Nepal Ltd

Netherlands

455. ABN Amro Bank NV
456. Amsterdam Trade Bank NV
457. BNP Paribas SA
458. Commerzbank AG Kantoor Amsterdam
459. Cooperatieve Rabobank UA
460. Deutsche Bank AG
461. Societe Generale

New Zealand

462. ANZ Bank New Zealand Limited
463. Bank of New Zealand
464. Hongkong and Shanghai Banking Corporation Limited

Norway

465. Danske Bank A/S
466. DNB Bank ASA
467. Nordea Bank Abp, Filial I Norge
468. Spare Bank 1 Ostlandet
469. Spare Bank 1 SMN
470. Sparebanken More
471. Sparebanken Nord Norge

Oman

472. Bankmuscat SAOG
473. National Bank of Oman SAOG
474. Sohar International Bank SAOG
475. Standard Chartered Bank

Pakistan

476. Albaraka Bank Pakistan
477. Allied Bank Limited
478. Askaribank Limited
479. Bank Al Habib Ltd
480. Bank Alfalah Limited
481. Bank of Panjab
482. Citibank NA
483. Dubai Islamic Bank Pakistan Ltd
484. Faysal Bank Ltd
485. Habib Bank Limited
486. Habib Metropolitian Bank Ltd
487. MCB Bank Ltd
488. Meezan Bank Ltd
489. National Bank of Pakistan
490. Soneri Bank Ltd
491. Standared Chartered Bank (Pakistan) Ltd
492. Summit Bank
493. United Bank Limited

Palastene

494. Arab Bank PLC

Papua New Guinea

495. Australia and New Zealand Banking Group (Png) Ltd

Peru

496. Banco BBVA Peru
497. Banco De Credito Del Peru

Philippines

498. Asian Development Bank
499. Metropolitian Bank & Trust Co.
500. Mizuho Bank Ltd
501. Standard Chartered Bank
502. United Coconut Planters Bank

Poland

503. Bank Handlowy W Warszawie SA
504. Bank Millennium SA
505. Bank Polska Kasa Opieki SA
506. BNP Paribas Bank Polska SA
507. PKO Bank Polski SA
508. Santander Bank Polska SA (Kredyt Bank SA)

Portugal

509. Banco BPI SA
510. Novo Banco, SA

Qatar

511. Ahli Bank QSC
512. Doha Bank
513. Dukhan Bank
514. HSBC Bank Middle East Limited
515. Mashreq Bank
516. Qatar International Islamic Bank
517. Qatar Islamic Bank SAQ
518. The Commercial Bank (QSC)

Romania

519. Banca Transilvania
520. BRD – Groupe Societe Generale SA

Russia

521. Absolut Bank
522. AO Unicredit Bank
523. Commerzbank (Eurasija) AO
524. Natsi N Vestprom Bank
525. Sberbank
526. VEB.RF
527. VTB Bank

Saudi Arabia

528. Al Inma Bank
529. Al Rajhi Bank
530. Arab National Bank
531. Bank Al Bilad
532. Bank Al Jazira
533. Banque Saudi Fransi
534. Riyad Bank Riyadh
535. Saudi British Bank
536. Saudi Investment Bank
537. Saudi National Bank

Seychelles

538. ABSA (Seychelles) Limited
539. Seychelles International Mercantile Banking

Singapore

540. ABN Amro
541. Australia and New Zealand Banking Group Limited
542. Bank of America, N.A.
543. Bank of India
544. BNP Paribas
545. Citibank, N.A.
546. Commerzbank AG
547. Credit Agricole CIB
548. DBS Bank Ltd
549. Deutsche Bank AG
550. DNB Bank
551. Emirates NBD Bank PJSC
552. First Abu Dhabi Bank PJSC
553. ICICI Bank Limited
554. Indian Bank
555. Indian Overseas Bank
556. Intesa Sanpaolo S.P.A.
557. JPMorgan Chase Bank, N.A.
558. Landesbank Baden-Wuerttemberg
559. Malayan Banking Berhad
560. Mizuho Bank Ltd
561. MUFG Bank, Ltd
562. National Bank of Kuwait S.A.K.P
563. Natixis
564. Nordea Bank Singapore
565. Oversea – Chinese Banking Corporation Ltd
566. Qatar National Bank (Q.P.S.C)
567. Rabobank Singapore
568. RHB Bank Berhad
569. Skandinaviska Enskilda Banken AB
570. Societe Generale
571. Standard Chartered Bank
572. Standard Chartered Bank (Singapore) Limited
573. State Bank of India
574. Sumitomo Mitsui Banking Corporation
575. The Hongkong and Shanghai Banking Corporation Limited
576. UBS AG
577. UCO Bank
578. Unicredit Bank AG
579. Union De Banques Arabes ET Francaises
580. United Overseas Bank Ltd
581. Banco Santander SA

Slovakia

582. Ceskoslovenska Obchodni Banka AS
583. Tarta Bank AS
584. Unicredit Bank Czech Republic and Slovakia AS

Slovenia

585. Nova Kreditna Banka Maribor D D

South Africa

586. ABSA Bank Ltd
587. Firstrand Bank Ltd
588. NED Bank Ltd
589. Standard Bank of South Africa Ltd

Spain

590. Banco Bilbao Vizcaya Argentaria
591. Banco De Sabadell SA
592. Bankinter
593. Caixa Bank
594. Unicaja Banco SA

Sweden

595. Danske Bank
596. Nordea Bank Abp
597. Skandinaviska Enskilda Banken AB
598. Swed Bank

Switzerland

599. Aargauische Kantonalbank
600. Arab Bank (Switzerland) Ltd
601. Baloise Bank SOBA
602. Bank CIC (Switzerland) Ltd
603. Bank Linth Llb AG
604. Banque Cantonale De Geneve
605. Banque Cantonale Vandoise
606. Barclays Bank (Suisse) SA
607. Basellandschaftliche Kantonalbank
608. BNP Paribas
619. CA Indosuez (Switzerland) SA
610. Credit Sussie
611. Entris Banking AG
612. Luzerner Kantonal Bank AG
613. Postfinance AG
614. Schwyzer Kantonalbank (SKB)
615. Six Interbank Clearing AG
616. Thurgauer Kantonalbank
617. UBS AG
618. UBS Switzerland AG
619. Valiant Bank AG
620. Zuger Kantonalbank
621. Zurcher Kantonalbank

Correspondent Relationships By Country

Taiwan

622. Bank of Taiwan
623. Bank Sinopac
624. Cathay United Bank
625. Chang Hwa Commercial Bank Ltd
626. Citibank Taiwan Limited
627. DBS Bank (Taiwan) Ltd
628. E-Sun Commercial Bank Ltd
629. First Commercial Bank
630. HSBC Bank (Taiwan) Limited
631. Hua Nan Commercial Bank
632. King's Town Bank
633. Mega International Commercial Bank
634. Mizuho Bank Ltd
635. Shanghai Commercial & Savings Bank Ltd
636. Sumitomo Mitsui Banking Corporation
637. Taipei Fubon Commercial Bank
638. Taiwan Business Bank
639. Taiwan Cooperative Bank
640. The Bank of New York Mellon
641. Union Bank of Taiwan

Thailand

642. Bangkok Bank Public Company Ltd
643. Bank of America, NA
644. Bank of Ayudhya Public Company Limited (BOTKTHBX)
645. Bank of Ayudhya Public Company Ltd (AYUDTHBK)
646. Citibank NA
647. Deutsche Bank AG
648. Export Import Bank of Thailand
649. Indian Overseas Bank
650. Kasikorn Bank Public Company Ltd
651. Krung Thai Bank Public Company Limited
652. Mizuho Bank Ltd
653. Siam Commercial Bank PCL
654. Standard Chartered Bank (Thai) Public Company Ltd
655. Sumitomo Mitsui Banking Corporation
656. The Hongkong and Shanghai Banking Corporation Limited
657. Tmbthanachart Bank Public Limited
658. United Overseas Bank (Thai) Public Co Ltd

Turkey

659. AK Bank TAS
660. Albaraka Turk Participation Bank
661. Alternatifbank AS
662. Burgan Bank
663. Citibank AS
664. Denizbank AS
665. Kuvoyt Turk Katilim Bankasi AS
666. QNB Finansbank AS
667. Sekerbank TAS
668. Turk Economi Bankasi
669. Turkiye Cumhuriyeti Ziraat Bankasi AS
670. Turkiye Finance Katilinu Bankasi AS
671. Turkiye Garanti Bankasi AS
672. Turkiye Halk Bankasi AS
673. Turkiye Is Bankasi AS
674. Turkiye Vakiflar Bankasi Tao
675. Turkland Bank – T Bank
676. Yapi Ve Kredi Bankasi AS

UAE

677. Abu Dhabi Commercial Bank
678. Abu Dhabi Islamic Bank (ABDIAAEAD)
679. Arab Bank for Investment & Foreign Trade
680. Axis Bank Limited
681. Bank of Baroda
682. Bank of Sharjah
683. Citibank N.A.
684. Commercial Bank International PLC
685. Commercial Bank of Dubai PSC
686. Doha Bank
687. Dubai Islamic Bank PJSC
688. Emirates Islamic Bank PJSC
689. Emirates NBD PJSC
690. First Abu Dhabi Bank
691. Habib Bank AG Zurich
692. Habib Bank Limited
693. Intesa Sanpaolo Spa
694. Mashreqbank PSC
695. MCB Bank Limited
696. National Bank of Fujirah
697. National Bank of Kuwait (S.A.K.)
698. National Bank of Ras Al-Khaimah
699. Standard Chartered Bank
700. United Arab Bank
701. Abu Dhabi Commercial Bank (UNBEAEAA)

UK

702. Arab National Bank
703. Bank Negara Indonesia-PT
704. Bank of America, N.A.
705. Bank of Beirut (UK) Ltd
706. Bank of Ceylon (UK) Ltd
707. Barclays Bank PLC
708. Barclays Capital
709. Canadian Imperial Bank of Commerce
710. Citibank N.A.
711. Clydesdale Bank PLC (Yorkshire Bank)
712. Deutsche Bank AG
713. HSBC Bank PLC
714. ICBC Standard Bank PLC
715. ICICI Bank UK PLC
716. JPMorgan Chase Bank, N.A.
717. Lloyds TSB Bank PLC
718. Malayan Banking Berhad
719. Mashreq Bank PSC
720. National Westminster Bank PLC
721. Santander UK PLC
722. Shinhan Bank London Branch
723. SMBC Bank International PLC
724. Sonali Bank (UK) Ltd
725. Standard Chartered Bank
726. State Bank of India
727. The Royal Bank of Scotland PLC (RBOSG B2L)
728. Wells Fargo Bank, N.A.

Ukraine

729. First Ukrainian International Bank-PJSC
730. JSC Bank Credit Dnepr
731. JSC The State Export Import Bank of Ukraine

Uruguay

732. The Banco De La Republic Oriental Del Uruguay

USA

733. Bangkok Bank Public Company Limited
734. Bank of America NA (BOFAUS6S)
735. Bank of America, N.A. (BOFAUS3M)
736. Bank of America, N.A. (BOFAUS3N)
737. Bank of India
738. Bank of the West
739. Barclays Bank PLC
740. BNP Paribas SA
741. Cathay Bank
742. Citibank NA
743. Citizens Bank N.A.
744. Comerica Bank (MNBDUS33)
745. Comerica Bank (MNBDUS6S)
746. Commerce Bank NA
747. Deutsche Bank Trust Company Americas
748. East-West Bank
749. Habib American Bank
750. HSBC Bank USA
751. JPMorgan Chase Bank
752. Keybank National Association
753. Mashreq Bank PSC
754. Mizuho Bank Ltd
755. MUFG Bank Ltd
756. MUFG Union Bank National Association
757. National Australia Bank Limited
758. Nonghyup Bank
759. Nordea Bank ABP
760. PNC Bank NA
761. Regions Bank
762. Shinhan Bank
763. Silicon Valley Bank
764. Standard Chartered Bank
765. State Bank of India
766. Sumitomo Mitsui Banking Corporation
767. The Bank of Newyork Mellon
768. Truist Bank (BRBTUS33)
769. US Bank NA
770. Wells Fargo Bank N.A. (WFBIUS6S)
771. Wells Fargo Bank N.A. (WFBIUS6W)
772. Wells Fargo Bank, N.A. (PMBPUS33)
773. Wells Fargo Forex

Vietnam

774. Asia Commercial Bank
775. Citibank N.A.
776. Joint Stock Commercial Bank for Investment and Development of Vietnam
777. Mizuho Bank Ltd
778. Saigon Thuong Tin Commercial Joint Stock Bank (Sacombank)
779. Shinhan Bank Vietnam Limited
780. Vietnam Bank for Agriculture and Rural Development
781. Vietnam Technological and Commercial Joint Stock Bank
782. Woori Bank Vietnam Limited
783. Standard Charted Bank
784. Joint Stock Commercial Bank for foreign trade

Exchange Companies by Country

10

Australia

1. Cash Plus Forex Pty Ltd
2. Harbour and Hills
3. PFG Forex
4. Serendib Financial Pty Ltd

Bahrian

5. Bahrain Financing Company
6. Ezremit Ltd (BFC Bank)
7. National Finance & Exchange Co WLL
8. Zenj Exchange
9. Zenj Exchange Company WLL (Turbo Cash)

Cyprus

10. GS Cashline

France

11. Tempo – France

Israel

12. Global Remit Currency Services

Italy

13. National Exchange Company SRL
14. Valutrans SPA (Metro)

Japan

15. Japan Remit Finance Co. Ltd
16. Unidos Co. Ltd (Kyodai Remittance)

Jordan

17. Alawaneh Exchange Co
18. Shift Financial Services Ltd

Kuwait

19. Al Mulla International Exchange Co WLL
20. Al Muzaini Exchange Co KSC (Closed)
21. Al Nada International Exchange
22. Aman Exchange Co. WLL
23. Bahrain Exchange Co WLL
24. Citiy International Exchange Co WLL
25. Joyalukkas Exchange Co. WLL
26. Kuwait Asian International Exchange Co WLL
27. Kuwait Bahrain International Ex.
28. Kuwait India International Ex. Co
29. National Exchange Co WLL
30. National Money Exchange Co WLL
31. Oman Exchange Co Ltd
32. UAE Exchange Centre WLL
33. Zajil Exchange Co WLL

Lebanon

34. Srour Exchange

Malaysia

35. Merchantrade Asia SDN BHD

Oman

36. Gulf Overseas Exchange Co LLC
37. Hamdan Exchange
38. Joyalukkas Exchange
39. LULU Exchange Co LLC
40. Modern Exchange Co LLC
41. Musandam Exchange
42. Mustafa Sultan Exchange Co LLC
43. Oman International Exchange LLC
44. Purshottam Kanji Exchange Co LLC
45. Unimoni Exchange LLC

Qatar

46. Al Dar For Exchange Works
47. Al Fardan Exchange Co WLL
48. Al Mana Exchange WLL
49. Al Sadd Exchange
50. Al Zaman Exchange WLL
51. Al-Mirqab Exchange Co.
52. Arabian Exchange Company WLL
53. City Exchange Co.WLL
54. Eastern Exchange EST
55. Gulf Exchange Company
56. Habib Qatar International Exch. Ltd
57. Islamic Exchange
58. National Exchange Co Wll
59. Al Jazeera Exchange

Singapore

60. HBZ International Exchange Co (Metro) (Singapore) Pvt Ltd
61. Mustafa Foreign Exchange

Switzerland

62. Motherhouse GMBH

Spain

63. Small World Financial Services Spain Sau

UAE

64. Al Ahalia Money Exchange Bureau
65. Al Ansari Exchange Est
66. Al Fardan Exchange
67. Al Rostamani International Exchange
68. Delma Exchange
69. Emirates India International Exchange Company - Dubai
70. Index Exchange Co LLC
71. Joyalukkas Exchange Dubai
72. Lari Exchange Establishment
73. Lulu International Exchange LLC
74. Orient Exchange Co. LLC
75. Redha Al-Ansari Exchange EST
76. UAE Exchange Centre
77. Wall Street Exchange Centre
78. Xpress Money Services Limited
79. Federal Exchange

UK

80. An Express Ltd
81. Global Exchange Ltd
82. NEC Money Transfer Limited
83. SGS Corperation
84. Stonex Former Intl Fc Stone Ltd (Ifl)
85. Transfer to Mobile Financial Services
86. Worldremit

USA

87. Moneygram
88. Prabhu Group Inc
89. Ria Financial Services (Continental Exchange Solutions Inc)
90. Mastercard Transactions (US) LLC
91. Western Union

10 Glossary of Financial/ Banking Terms

A

Acceptances
Promise to pay created when the drawee of a time draft stamps or writes the word "accepted" above his signature and a designated payment date.

Accounting Policies
The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis
To recognise the effects of transactions and other events as they occur, without waiting for the receipt or payment of related cash or its equivalent.

Actuarial Assumptions
An entity's unbiased and mutually compatible best estimates of the demographic and financial variables that will determine the ultimate cost of providing post-employment benefits.

Actuarial Gains and Losses
Actuarial gains and losses comprise the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

Actuarial Present Value of Promised Retirement Benefits
The present value of the expected payments by a retirement benefit plan to existing and past employees, attributable to the service already rendered.

Actuarial Valuation
Fund value determined by computing its normal cost, actuarial accrued liability, actuarial value of its assets, and other relevant costs and values.

Amortisation
The systematic allocation of the depreciable amount of an asset over its useful life. In the case of an intangible asset or goodwill, the term "amortisation" is generally used instead of "depreciation". Both terms have the same meaning.

Amortised Cost
The amount at which a financial asset or liability is measured at initial recognition, minus any repayment of principal, minus any reduction for impairment or uncollectibility, and plus or minus the cumulative amortisation using the effective interest method of the difference between that initial amount and maturity amount.

Anti-Money Laundering (AML)
A set of procedures, laws or regulations designed to prevent money laundering. Money laundering is an activity which aims to disguise the ownership of money that has an illegal origin such as trading of drugs, organised crimes, fraud and terrorism.

Associate Company
A company other than a subsidiary in which a holding company has a participating interest and exercises a significant influence over its operating and financial policies.

Attrition Rate
A measure of how many employees leave over a certain period of time.

Average Weighted Deposit Rate (AWDR)
AWDR is calculated by the Central Bank of Sri Lanka monthly on the weighted average of all outstanding interest bearing deposits of commercial banks and the corresponding interest rates.

Average Weighted Prime Lending Rate (AWPLR)
AWPLR is calculated by the Central Bank of Sri Lanka weekly based on commercial banks lending rates offered to their prime customers during the week.

B

BASEL III
The Basel Committee on Banking Supervision (BCBS) issued the BASEL III rules text, which presents the details of strengthened global regulatory standards on bank capital adequacy and liquidity.

Basis Points
A unit that is equal to 1/100th of 1%. Often used in quotation of spreads between interest rates or to change in yield in securities.

Bills of Exchange
A signed, written unconditional order addressed by one person (the drawer) directing another person (the drawee) to pay a specified sum of money to the order of a third person (the payee). The terms bills of exchange and drafts are often used interchangeably.

C

Capital Adequacy Ratio (CAR)
The ratio between capital and risk weighted assets, as defined under the framework of risk-based capital standards developed by the Bank for International Settlements (BIS) and as modified to suit local requirements by Central Bank of Sri Lanka.

Cash Equivalents
Investments/assets that are readily convertible to cash, subject only to an insignificant risk of change in their value.

Collectively-Assessed Loan Impairment Provisions
Impairment assessment which carried out on a collective basis for homogeneous groups of loans that are not considered individually significant, in order to cover losses that has been incurred but has not yet been identified at the Reporting date.

Compound Annual Growth Rate (CAGR)
The year over year growth rate over a specified period of time.

Common Equity Tier 1 (CET 1)
Common Equity Tier 1 (CET 1) is a component of Tier 1 capital that consists mostly of Stated Capital. It is a capital measure that was introduced as a precautionary measure to protect the economy from a financial crisis.

Contractual Maturity
Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.

Corporate Governance
The process by which corporations are directed and controlled. It is concerned with the rights and responsibilities among stakeholders used to determine and control the strategic directions and performance of the corporation.

Correspondent Banks
A bank in a foreign country that offers banking facilities to the customers of a bank in another country.

Cost to Income Ratio
Operating expenses excluding impairment charge for loans and other losses, as a percentage of total operating income.

Country Risk
The credit risk associated with lending to borrowers within a particular country, sometimes taken to include sovereign risk.

Credit Risk
The risk of loss due to non-payment of a loan or other line of credit (either the principal or interest or both), by the borrower or a counterparty.

Credit Ratings
An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting carried out by an independent rating agency.

D

Dealing Securities
Securities acquired and held with the intention of reselling them in the short term.

Debt Equity Ratio
Long-term borrowings divided by shareholder's equity.

Deferred Taxation
Sum set aside for tax in the Financial Statements that will become payable/ receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

Defined Benefit Plans
Retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earning history, tenure of service and age.

Derivatives
A financial instrument, the price of which has a strong relationship with an underlying commodity, currency variable or financial instrument.

Documentary Letters of Credit (LC)
Written undertakings by a bank on behalf of its customers (typically an importer), authorising a third party (e.g. an exporter) to draw drafts on the Bank up to a stipulated amount under specific terms and conditions. Such undertakings are established for the purpose of facilitating international trade.

Domestic Systemically Important Banks (D-SIBs)
Systemically Important Banks (SIBs) are perceived as banks that are "Too Big To Fail". D-SIBs are critical for the uninterrupted availability of essential banking services to the country's real economy even during crisis. The CBSL has designated Licenced Commercial Banks with total assets equal to or greater than LKR 500 billion as D-SIBs.

E

Equity Method
A method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the investor's share of net assets of the invested. The Statement of profit or loss reflects the investor's share of the results of operations of the invested.

Events After the Reporting Date
Events after the Reporting date are those events, both favourable and unfavourable, that occur between the Reporting date and the date when the financial statements are authorised for issue.

Exchange Company/House
An overseas location where the Bank's representatives provide banking services as a promotional tool.

F

Fair Value
The price that would be required to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease
Leases which transfer risks and rewards of ownership. Title may or may not eventually be transferred.

Financing Activities
Activities that result in changes in the size and composition of the equity capital and borrowings of the entity.

Financial Instruments
Financial instrument is any contract that gives rise to financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets Measured at Amortised Cost
A financial asset is measured at amortised cost if the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)
FVOCI include debt and equity instruments measured at fair value through other comprehensive income. A debt instrument is measured at FVOCI, if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments may be irrevocably classified as FVOCI when they meet the definition of Equity under LKAS 32- "Financial Instruments: Presentation", and are not held for trading.

Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)
All financial assets other than those classified at Amortised Cost or FVOCI are classified as measured at FVTPL. These are held for trading or managed and their performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Foreclosed Properties
Properties acquired in full or partial settlement of debts, which will be held with the intention of resale at the earliest opportunity.

Foreign Exchange Income
The gain recorded when assets or liabilities denominated in foreign currencies are translated into Sri Lankan Rupees on the Reporting date at prevailing rates which differ from those rates in force at inception or on the previous Reporting date. Foreign exchange income also arises from trading in foreign currencies.

Forward Exchange Contracts
Agreements between two parties to exchange one currency for another at a future date at a rate agreed upon today.

G

Global Reporting Initiatives (GRI)
GRI is a leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

Glossary of Financial/ Banking Terms

Gross Domestic Product (GDP)
The value of all goods and services produced domestically in an economy during a specified period, usually a year. Nominal GDP, adjusted for inflation, gives GDP in real terms.

Guarantees
Primarily represent irrevocable assurances that a bank will make payments in the event that its customer is unable to perform its financial obligations to third parties. Certain other guarantees represent non-financial undertakings such as bid and performance bonds.

H

Hedging
A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements (interest rate, foreign exchange rate, commodity prices, etc.).

Historical Cost Convention
Recording transactions at the actual value received or paid.

I

Impairment
This occurs when recoverable amount of an asset is less than its carrying amount.

Individually Significant Loan Impairment Provisions
Impairment measured individually for loans that are individually significant to the Group.

Intangible Asset
An identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

Interest Margin
Net interest income as a percentage of average interest earning assets.

Interest Spread
Represents the difference between the average interest rate earned on interest earning assets and the average interest rate incurred on interest bearing liabilities.

Investment Securities
Securities acquired and held for yield or capital growth purposes and usually held to maturity.

K

Key Management Personnel (KMP)
Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Key Performance Indicators (KPI)
KPIs are quantifiable measures that a company user to gauge its performance over time.

L

Liquid Assets
Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, bills of exchange, treasury bills.

Liquid Assets Ratio
Liquid assets expressed as a percentage of total liabilities other than shareholders' funds.

Liquidity Coverage Ratio – LCR
Refers to highly liquid assets held by Banks to meet short-term obligations. The ratio represents a generic stress scenario that aims to anticipate market-wide shocks.

Loss Given Default (LGD)
LGD is the percentage of an exposure that a lender expects to lose in the event of default.

M

Mark to Market
The practice of periodically revaluing marketable securities to their current market value.

Materiality
The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

Minority Interest
That portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through Subsidiaries, by the Parent.

Mortality Rate
A measure of the number of deaths in some population, scaled to the size of that population, per unit time.

N

Net Asset Value Per Share
Shareholders' equity divided by the number of ordinary shares in issue.

Net Interest Income
The difference between what the Bank earns as interest on assets such as loans and securities and what it pays as interest on liabilities such as deposits, refinance funds and interbank borrowings.

Net Realisable Value
The estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Net Stable Funding Ratio (NSFR)
NSFR measures the amount of long-term, stable sources of funding employed by a bank relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations.

Nostro Account
A nostro account is a bank account held in a foreign country by a domestic bank, denominated in the currency of that country.

O

Off-Balance Sheet Transactions
Transactions not recognised as assets or liabilities in the Statement of Financial Position but which give rise to contingencies and commitments.

Operating Activities
The principal revenue producing activities of an entity and other activities that are not investing or financing activities.

P

Plan Assets of an Employee Benefit Plan
Assets held by a long-term employee benefit fund.

Price Value Per Basic Point (PVBP)
Estimated change in the value of portfolio due to one basic point change in interest rate.

Primary Dealer Special Risk Reserve
Reserve maintained in order to strengthen capital base further with development of capital market.

Probability of Default (PD)
PD is a financial term describing the likelihood of a default over a particular time horizon. It provides an estimate of the likelihood that a borrower will be unable to meet its debt obligations.

Projected Unit Credit Method
An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Property, Plant and Equipment (PPE)
Tangible assets that:

(a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and

(b) are expected to be used during more than one period.

Prudence
Inclusion of a degree of caution in the exercise of judgement needed in making the estimates required under conditions of uncertainty such that assets or income are not overstated and liabilities or expenses are not understated.

R

Redemption
Repayment of principal monies.

Related Parties
Two parties where one controls the other or exercise significant influence in financial and operating decisions, directly or indirectly.

Repurchase Agreement
Contracts relating to securities sold to creditors (who lend money for funding purposes), with the intention of buying them back at a set price on a specified future date.

Return On Average Assets (ROAA)
Profit before tax expressed as a percentage of average total assets. Used along with ROAE, as a measure of profitability and as a basis of intra industry performance comparison.

Return On Average Equity (ROAE)
Profit after tax less preferred share dividends, if any, expressed as a percentage of average ordinary shareholders' equity.

Revenue Reserves
Reserves set aside for future distribution and investment.

Right of use Assets
An assets which bears the lessee's right to use that throughout the lease term.

Risk-Weighted Assets
On-balance sheet assets and the credit equivalent of off-balance sheet assets multiplied by the relevant risk weighting factors.

S

Securities Purchased Under Resale Agreement
The purchase of securities under an agreement to resell at a given price on a specific future date.

Shareholders' Equity
Shareholders' equity consists of issued and fully paid ordinary share capital plus capital and revenue reserves.

Significant Influence
Significant influence is the power to participate in the financial and operating policy decisions of an investee but is not controlled or jointly
controlled over those policies.

Solvency
The availability of cash over the long term to meet financial commitments as they fall due.

Subordinated Debenture
The claims of the debenture holders shall in the event of winding up, rank after all the claims of the secured and unsecured creditors and any preferential claims under any statutes, but in priority to and over claims and rights of the shareholders.

Swaps
The simultaneous purchase and sale of foreign exchange or securities, with the purchase executed at once and the sale back to the same party. Carried out on an agreed upon price to be completed at a specified future date. Swaps include interest rate swaps, currency swaps and credit swaps.

Syndicated Loan
A large loan by a group of banks to a large multinational firm or government. Syndicated loans allow the participating banks to maintain diversification by not lending too much to a single borrower.

T

Tier 1 Capital
Consists of the sum total of paid up ordinary shares, non-cumulative, nonredeemable preference shares, share premium, statutory reserve fund, published retained profits, general and other reserves, less intangible assets and other deductions.

Tier 2 Capital
Consists of the sum total of revaluation reserves, general provisions, hybrid capital instruments and approved subordinated debentures.

Total Capital
The sum of Tier 1 and Tier 2 capital.

U

Unit Trust
An undertaking formed to invest in securities under the terms of a trust deed.

Unsecured
Repayment of the principal and interest not being secured by any specific asset.

V

Value at Risk (VaR)
Estimated maximum loss that the Bank may incur in a given horizon at 99% confidence level.

Vostro Account
A local currency current account maintained with a bank by another bank.

10 Corporate Offices and Overseas Branches

Corporate Offices

BoC Card Centre

Issuing and managing VISA and Master branded Credit Cards, Franchising and servicing merchants using point of sales machines

Level – 01, West Tower,
World Trade Center, Echelon Square,
Colombo 01, Sri Lanka.

Phone : +94 11 232 5088,
+94 11 239 5806,
+94 11 220 5620,
+94 11 220 5621,
+94 11 232 5095,
+94 11 254 1935,
+94 11 254 1935
+94 11 220 5650
Fax : +94 11 232 5092,
+94 11 239 5807
Email : cmccc@boc.lk, cmdpp@boc.lk
mgrmktacq@boc.lk

Branch Code : 731

BoC Premier Centre

Dedicated centre for private banking

No. 21, Sir Ernest De Silva Mawatha,
Colombo 07, Sri Lanka.

Phone : +94 11 269 4282 - 86
Fax : +94 11 269 4280
Email : pbc@boc.lk

Branch Code : 788

Ceybank Gold Shop

Supplier of precious gold to the nation

Ground Floor, Bank of Ceylon Head Office,
"BoC Square",
No. 01, Bank of Ceylon Mawatha,
Colombo 01, Sri Lanka.

Phone : +94 11 234 5420
Fax : +94 11 234 5420
Email : goldshop@boc.lk

Branch Code : 087

Credit Support Department

Issuing of local and international guarantees and documentation of credit facilities

3rd Floor, Bank of Ceylon Head Office,
"BoC Square",
No. 01, Bank of Ceylon Mawatha,
Colombo 01,
Sri Lanka.

Phone : +94 11 254 1943
Fax : +94 11 244 6820
Email : corpcrsupport@boc.lk
crsupport@boc.lk

Branch Code : 660

Correspondent Banking Unit

Gateway to global banking and financial relationships

9th Floor, Bank of Ceylon Head Office,
"BoC Square",
No. 01, Bank of Ceylon Mawatha,
Colombo 01, Sri Lanka.

Phone : +94 11 244 5791
Fax : +94 11 244 5791
Email : cmcbd@boc.lk/ corresbd@boc.lk

Branch Code : 087

Dealing Room

Providing money market and foreign exchange related services

7th Floor, Bank of Ceylon Head Office,
"BoC Square",
No. 01, Bank of Ceylon Mawatha,
Colombo 01, Sri Lanka.

Phone : +94 11 234 6844,
+94 11 244 5785-7
Fax : +94 11 244 5788
Email : chiefdealer@boc.lk

Branch Code : 760

Electronic Banking Unit

Issuing, Linking and Reactivation of ATM Cards, ATM Card Limit Enhancements, facilitator for Smart Online Banking.

21st Floor, Bank of Ceylon Head Office,
"BoC Square",
No. 01, Bank of Ceylon Mawatha,
Colombo 01,
Sri Lanka.

Phone : 1975
Fax : +94 11 244 7569
Email : ebank@boc.lk, debitcard@boc.lk,
cmebu@boc.lk

Branch Code : 777

Inward Remittances Department

Leading remittance service provider in Sri Lanka

8th Floor, Bank of Ceylon Head Office,
"BoC Square",
No. 01, Bank of Ceylon Mawatha,
Colombo 01,
Sri Lanka.

Phone : +94 11 220 3750-57,
+94 11 244 5792,
+94 11 254 1933
Fax : +94 11 234 4845
Email : irdept@boc.lk

Branch Code : 087

Islamic Banking Unit

Brand house for Islamic banking products and services

25th Floor, Bank of Ceylon Head Office,
"BoC Square",
No. 01, Bank of Ceylon Mawatha,
Colombo 01, Sri Lanka.

Phone : +94 11 220 5030,
+94 11 244 5811
Fax : +94 11 220 5036
Email : ibu@boc.lk

Branch Code : 776

Primary Dealer Unit

Trading and investment of Government Securities

7th Floor, Bank of Ceylon Head Office,
"BoC Square",
No. 01, Bank of Ceylon Mawatha,
Colombo 01, Sri Lanka.

Phone : +94 11 244 8830,
+94 11 220 3607
Fax : +94 11 244 8207
Email : pdu@boc.lk

Branch Code : 760

Trade Promotion Department

Service provider for migrant employee community

9th Floor, Bank of Ceylon Head Office,
"BoC Square",
No. 01, Bank of Ceylon Mawatha,
Colombo 01, Sri Lanka.

Phone : +94 11 244 7831,
+94 11 220 3880
Fax : +94 11 234 6841
Email : inttrade@boc.lk

Branch Code : 087

Trade Services Department

Providing trade finance facilities and services

2nd Floor, Bank of Ceylon Head Office,
"BoC Square",
No. 01, Bank of Ceylon Mawatha,
Colombo 01, Sri Lanka.

Phone : +94 11 239 4310,
+94 11 220 3310
Fax : +94 11 2542170
Email : agmtradefinance@boc.lk

Branch Code : 660

Overseas Branches

Malé Branch

"Aage" No. 12, Boduthakurufaanu Magu,
Henveiru, Malé. 20094,
Republic of Maldives.

Phone : +960 332 3045, 302 0500
Email : agmmale@boc.lk
SWIFT code : BCEYMVMV

Branch code : 632

Hulhumalé Branch

Teak Unit 1, Amin Avenue, Hulhumalé ,
Repuplic of Maldives.

Phone : +960 335 0921, 335 0923
Fax : +960 335 0924

Chennai Branch

No. 20/21, Casa Major Road, New No. 2
(Old No. 11), Zerat Garden, 2nd Lane,
Egmore, Chennai 600 008, India.

Phone : +91 44 2819 0972/73/75
+91 44 3951 9913
Email : agmcb@boc.lk
SWIFT code : BCEYIN5M

Branch code : 758

Seychelles Branch

Oliaji Trade Center, Fransis Rachel Street,
P.O. Box 1599, Victoria, Mahe,
Republic of Seychelles.

Phone : +248 467 3608, 461 1889
Email : agmseychelles@boc.lk
SWIFT code : BCEYSCSC

Branch code : 807

Foreign Circle

Catering to expatriates and Sri Lankans working overseas

9th Floor, Bank of Ceylon Head Office,
"BoC Square",
No. 01, Bank of Ceylon Mawatha,
Colombo 01, Sri Lanka.

Phone : +94 11 232 1162
+94 11 596 9900
Email : fce@boc.lk

Branch Code : 087

SME Circle

Providing information and advisory services for SMEs export oriented, SME innovation inventors and tech startups.

2nd Floor, Bank of Ceylon Head Office,
"BoC Square",
No. 01, Bank of Ceylon Mawatha,
Colombo 01, Sri Lanka.

Phone : +94 11 244 1999
+94 11 220 4525
Email : smeonline@boc.lk

BoC Export Circle

Facilitate end to end financial and non-financial services to startups and SME exports throughout their supply chain

2nd Floor, Bank of Ceylon Head Office,
"BoC Square",
No. 01, Bank of Ceylon Mawatha,
Colombo 01, Sri Lanka.

Phone : +94 11 254 1945
+94 11 220 3280
Email : exportcircle@boc.lk

10 Corporate Information

Name of the Institution

Bank of Ceylon

Legal Form

A banking corporation domiciled in Sri Lanka, duly incorporated on 01 August 1939 under the Bank of Ceylon Ordinance No. 53 of 1938.

A licensed commercial bank established under the Banking Act No. 30 of 1988.

Registered Office

No. 01, "BoC Square" Bank of Ceylon Mawatha
Colombo 01, Sri Lanka

Phone : +94 11 220 3333 (Hotline)
+94 11 244 6790-811 (22 lines)
+94 11 233 8741-47 (7 lines)
+94 11 244 5815-20 (6 lines)
+94 11 254 4340-44 (5 lines)
+94 11 254 4333-37 (5 lines)
Facsimile : +94 11 232 1160
Bank code : 7010
SWIFT code : BCEYLKLX
Email : boc@boc.lk, customercare@boc.lk
Website : www.boc.lk

Call Centre

Tel : +94 11 220 4444, 1975
Facsimile : +94 11 232 0864

24 Hour Service Centre

Travel Counter, Ground Floor
Bank of Ceylon Head Office
No. 01, "BoC Square"
Bank of Ceylon Mawatha
Colombo 01, Sri Lanka

Tel : +94 11 220 3044/45
Facsimile : +94 11 244 5801

Accounting Year End

31 December

Tax Payer Identification Number (TIN)

409000070

VAT Registration Number

409000070-7000

SVAT Registration Number

SVAT002898

Stock Exchange Listing

The Unsecured, Subordinated Redeemable Debentures of October 2013/October 2023 series, October 2015/October 2023 series and December 2016/December 2024 series with fixed and floating interest rates are listed on Colombo Stock Exchange.

Local Ratings

- National long-term rating: A (lka)/Rating Watch Negative
- Subordinated debentures: BBB+ (lka) by Fitch Ratings Lanka Limited

Global Ratings

Long-term Foreign Currency Issuer Default Rating "CC" by Fitch Ratings

Lawyers

Mr B K Gurusinghe
Chief Legal Officer of Bank of Ceylon and his assistants.

Tel : +94 11 244 5813/220 4400
Facsimile : +94 11 232 1167
Email : clo@boc.lk

Compliance Officer

Ms W B P Rathnayake
(Deputy General Manager – Compliance)

Tel : +94 11 244 8532/220 4800
Facsimile : +94 11 254 4306
Email : dgmcmpl@boc.lk

Auditor

The Auditor General
National Audit Office
306/72, Polduwa Road
Battaramulla, Sri Lanka

Tel : +94 11 2887028-34 (6 lines)
Facsimile : +94 11 288 7223
Email : ag@auditorgeneral.gov.lk

(Appointed in terms of the provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka)

Registrars to the Debenture Issues

Bank of Ceylon
Investment Banking Division
7th Floor, Bank of Ceylon Head Office
No. 01, "BoC Square"
Bank of Ceylon Mawatha
Colombo 01, Sri Lanka.

Tel : +94 11 239 4311,
+94 11 244 8348
+94 11 234 6845
Facsimile : +94 11 234 6842
Email : investment@boc.lk

Board of Directors

Mr Ronald C Perera PC (Chairman)
Mr R M Priyantha Rathnayake
Mr A C Manilka Fernando
Major General (Rtd.) G A Chandrasiri VSV
Prof. Kithsiri Liyanage

Secretary, Bank of Ceylon/ Secretary to the Board

Ms Janaki Senanayake Siriwardane

Audit Committee

Mr A C Manilka Fernando (Chairman)
Mr R M Priyantha Rathnayake
Major General (Rtd.) G A Chandrasiri VSV

Integrated Risk Management Committee

Mr R M Priyantha Rathnayake (Chairman)
Major General (Rtd.) G A Chandrasiri VSV

Human Resources and Remuneration Committee

Mr A C Manilka Fernando (Chairman)
Mr R M Priyantha Rathnayake
Major General (Rtd.) G A Chandrasiri VSV

Nomination and Corporate Governance Committee

Major General (Rtd.) G A Chandrasiri VSV (Chairman)
Mr A C Manilka Fernando
Mr R M Priyantha Rathnayake

Information and Communication Technology Committee

Mr R M Priyantha Rathnayake (Chairman)
Mr A C Manilka Fernando
Major General (Rtd.) G A Chandrasiri VSV

For clarifications on the Report, please contact
Deputy General Manager
(Finance and Planning)
10th Floor, Bank of Ceylon Head Office
"BoC Square"
No. 01, Bank of Ceylon Mawatha
Colombo 01, Sri Lanka.

Phone : +94 11 243 2680
+94 11 220 3900
Facsimile : +94 11 244 8203
Email : dgmfp@boc.lk

This Integrated Annual Report is GHG-neutral

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Net-zero GHG since 2011

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www.carbonfund.org

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BANK OF CEYLON

Bankers to the Nation

Bank of Ceylon

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Bank of Ceylon Mawatha,
Colombo 01, Sri Lanka.

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+94 11 244 6790-811 (22 lines)

Facimile : +94 11 232 1160
E-mail : boc@boc.lk
customercare@boc.lk

Web : www.boc.lk

Scan the QR code with your smart device or login to
https://www.boc.lk/

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