A FORCE OF STRENGTH

A Beacon of Trust

BANK OF CEYLON ANNUAL REPORT 2023

BANK OF CEYLON
BOC
Bankers to the Nation

A FORCE OF STRENGTH

A Beacon of Trust

Embracing the winds of change, the Bank of Ceylon has always been a transformative force within Sri Lanka's financial landscape. Over the years, we have successfully navigated evolving market dynamics, consistently adapting offerings to meet the evolving business needs whilst driving stability and resilience. In the year 2023, our onus of responsibility increased significantly as we guided our nation's path to revival with a series of calibrated strategies to infuse stability and support the nation at large.

Powered by innovation and cutting-edge technology, we have embraced sustainability and ESG practices to drive transformative progress and create sustainable value for our stakeholders. As we reinforce our strength with fortitude, we continue to play a pivotal role as a steadfast force of strength and a beacon of trust for all Sri Lankans.

BANK OF CEYLON
BOC
Bankers to the Nation

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1

THE GUIDING LIGHT IN THE NATION'S FINANCIAL LANDSCAPE

Igniting rays of positivity much like the rays of sunlight that illuminate and lead the way, the Bank provides transparent and reliable financial services.

With widespread reach and deep-rooted presence, the Bank acts as a beacon of stability and growth, energising the economy by guiding customers towards their financial aspirations.

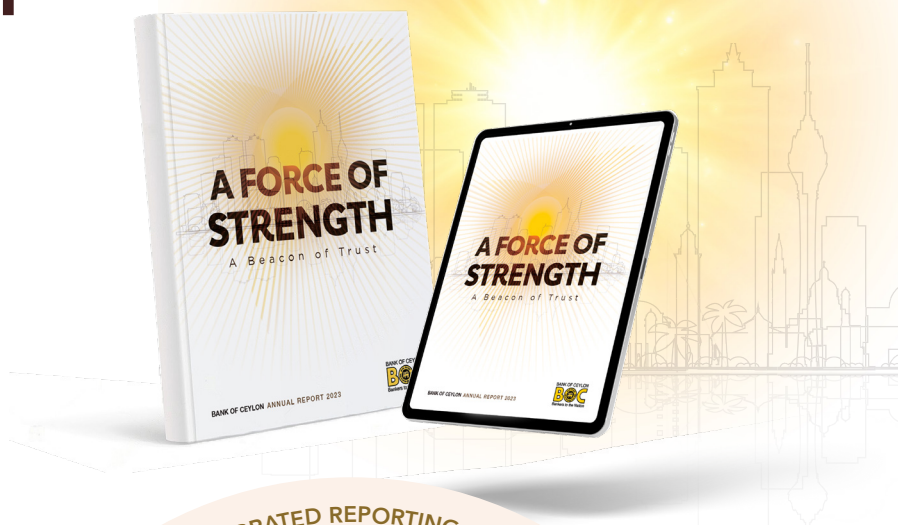
ABOUT THIS REPORT

WELCOME TO THE

BANK OF CEYLON

ANNUAL REPORT 2023

Our eleventh Integrated Report aims to provide a balanced and accurate reflection of our performance and future outlook in relation to material financial, economic, social and governance issues. The intent of the Report is primarily to address value-creation considerations of our key stakeholders and we share our progress against our strategic objectives, considering our material matters, which are informed by our external environment, risks and opportunities and our stakeholder concerns.





REPORTING SCOPE AND BOUNDARY

This Report provides a comprehensive view of the domestic and overseas operations of Bank of Ceylon (hereafter referred to as 'BoC' or 'the Bank') and its subsidiaries (collectively referred to as 'the Group') from 1 January 2023 to 31 December 2023. 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.

As per the changes to the Board, before the sign off date of this Report, includes a message from the Bank's newly - appointed Chairman.



MATERIALITY

BoC applies a double materiality lens to determine the matters relevant for reporting disclosure, which identifies the matters that impact our ability to create or preserve value (financial materiality) and our impact on the environment, communities and society (impact materiality) in the short, medium and long term. The Bank's process for determining material topics, and their alignment with reporting metrics is outlined in the Material Matters section on pages 53 to 56.

LOCAL STANDARDS AND FRAMEWORKS

- Bank of Ceylon Ordinance No. 53 of 1938 and amendments
- Banking Act No. 30 of 1988 and subsequent amendments
- Sri Lanka Accounting Standards issued by CA Sri Lanka
- Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 and amendments
- Gender Parity Reporting Framework of CA Sri Lanka
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2023)
- Listing Rules and ESG Reporting Framework of the Colombo Stock Exchange (CSE)
- Guidelines issued by CBSL and CSE listing requirements on Financial Statements and other disclosures for Licensed Commercial Banks

GLOBAL BEST PRACTICES

INTEGRATED REPORTING <IR>

The Integrated Reporting framework of the International Integrated Reporting Council (IIRC)

Global Reporting Initiative GRI

The Global Reporting Initiative Sustainability Reporting Guidelines (GRI Standards)

SASB

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

SUSTAINABLE DEVELOPMENT GOALS

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

PRECAUTIONARY PRINCIPLE

The Bank's approach to mainstream sustainability in its core business operations has foundational consideration for the precautionary principle. The Bank's efforts towards sustainable financing, outlined on page 62, 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.

COMBINED ASSURANCE

We aim to ensure the integrity of both our financial and non-financial information through a combination of monitoring and oversight by management, internal audit and external assurance providers. Through this combined assurance model, we seek to optimise the assurance obtained from management, internal audit and external assurance providers while fostering a strong ethical context and mechanisms to ensure compliance.

AUDIT COMMITTEE AND INTERNAL AUDIT FUNCTIONS

Responsible for ensuring the effectiveness of the Group's financial reporting processes and relevant internal controls

NATIONAL AUDIT OFFICE

External assurance on the Consolidated Financial Statements

CORPORATE MANAGEMENT TEAM

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 the previous year.

FORWARD - LOOKING STATEMENTS

Certain forward-looking statements regarding the Group's future performance and prospects may be included in this Report.

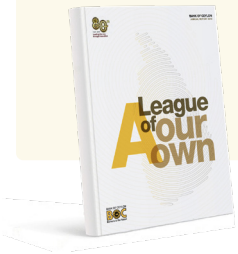
These statements cannot be considered guarantees of future performance or outcomes as they may be influenced by emerging risks, future events, changing circumstances and other important factors that cannot be predicted and are out of the Bank's control. These events may cause actual results to differ from our current expectations as disclosed in this Report.

ABOUT THIS REPORT

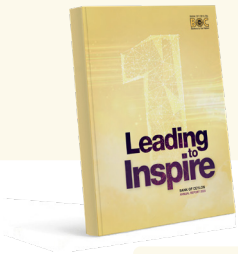
OUR EVOLUTIONARY JOURNEY OF REPORTING

Our Annual Report 2023 themed 'A Force of Strength – A Beacon of Trust' strives to draw inspiration from the enduring rays of sunlight to the Bank's role as a driving force in Sri Lanka's economic revival. In 2023, the Bank stepped forward living up to its ethos as the bankers to the nation by contributing holistic value to revitalise and revive economic activities.

As a responsible corporate entity, we have reduced the number of printed copies significantly to minimise our environmental footprint and this report is available in tri-language in several digital forms for the reference of stakeholders.



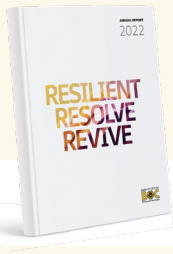
Annual Report 2019



Annual Report 2020

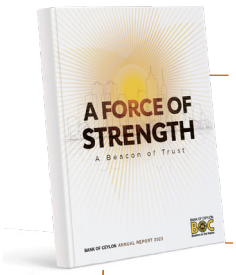


Annual Report 2021



Annual Report 2022

REPORTING IMPROVEMENTS



- Greater connectivity of information
- Improved conciseness with a more focus on materiality
- Greater focus on how the Bank tailors its business model and strategy to respond to its external environment and the risks and opportunities it faces
- Enhanced scope and coverage of non-financial information

NAVIGATION ICONS

Stakeholders

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

Six Capitals

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

Strategic Pillars

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

Risk Categories

R1 Credit risk | R2 Market risk | R3 Liquidity risk | R4 Strategic risk | R5 Operational Risk

Feedback

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

Scan to view the web and mobile HTML version published online

CREATING VALUE THROUGH INTEGRATED THINKING

Embracing the concept of integrated thinking promotes a mindset that helps us to balance short-term and long-term outcomes, which is fundamental to our ability to create value sustainably and encourages a comprehensive and strategic approach to decision-making.

THE OPERATING LANDSCAPE

Pages 44-48

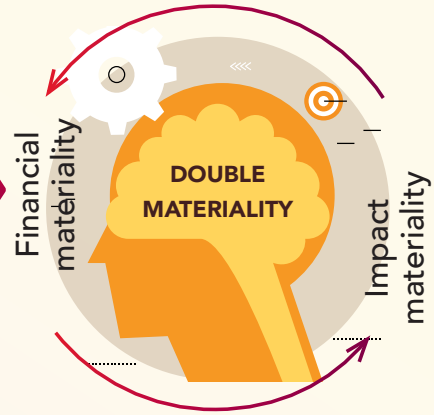
STAKEHOLDER NEEDS AND EXPECTATIONS

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

Pages 49-52

RISKS AND OPPORTUNITIES

Pages 132-148



EXECUTION OF STRATEGY THROUGH KEY BUSINESS LINES

The Bank's business units act as the primary drivers of our strategy.



Retail Banking

Pages 73-75



Corporate and Offshore Banking

Pages 76-78



International, Treasury, Investment and Overseas Operations

Pages 79-82

FORMULATION OF OUR STRATEGY AND RESOURCE ALLOCATION

STRATEGIC PILLARS

Pages 57-60

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

RESOURCE ALLOCATION

Pages 57-60

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

MANAGING RISKS, ENSURING SOUND CORPORATE GOVERNANCE AND EMBEDDING SUSTAINABILITY

Risk Management

We follow a systematic and proactive approach to manage risks, which enables the Bank to consistently deliver value to stakeholders while promoting stability and resilience

Pages 132-148

Corporate Governance

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

Pages 111-131

Sustainability

Sustainability is embedded into all our operations. We aim to deliver sustainable value through our commitment to the United Nations Sustainable Development Goals (UN SDGs)

Pages 61-63

DELIVERING STAKEHOLDER NEEDS AND EXPECTATIONS

Integrated thinking serves as a guiding principle that drives stakeholder value creation by promoting a holistic perspective in alignment of the Bank's strategy. How BoC delivered its stakeholders' needs and expectations is described in detail from pages 49 to 52.

BOC AT A GLANCE

"BANKERS TO THE NATION"



Bank of Ceylon, the country's top licensed commercial bank is solely owned by the Government of Sri Lanka. BoC holds a significant share in the Banking industry in terms of Assets, Loans and Advances, Deposits, Profits and remittances and holds over 22% share of industry assets, deposits and loans and advances.

As a Domestic Systemically Important Bank (D-SIB), our commitment goes beyond transactions; it extends to building lasting relationships, fostering financial empowerment and steering the nation's economic growth. With a legacy of over 80 years and as a cornerstone of the community, BoC takes pride in offering a comprehensive suite of banking solutions tailored to meet the unique needs of its valued customers. With a robust foundation, cutting-edge technology, and a team of experienced professionals, the Bank stands equipped to navigate the evolving landscape of the financial industry.

OUR VISION

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

OUR 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.

CORPORATE VALUE STATEMENT

- 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.

ASSETS
LKR 4.4 trillion

DEPOSITS
LKR 3.9 trillion

LOANS AND ADVANCES
LKR 2.5 trillion

EQUITY
LKR 251.7 billion

CAPITAL ADEQUACY
15.8%

PROFIT BEFORE TAX
LKR 40.3 billion

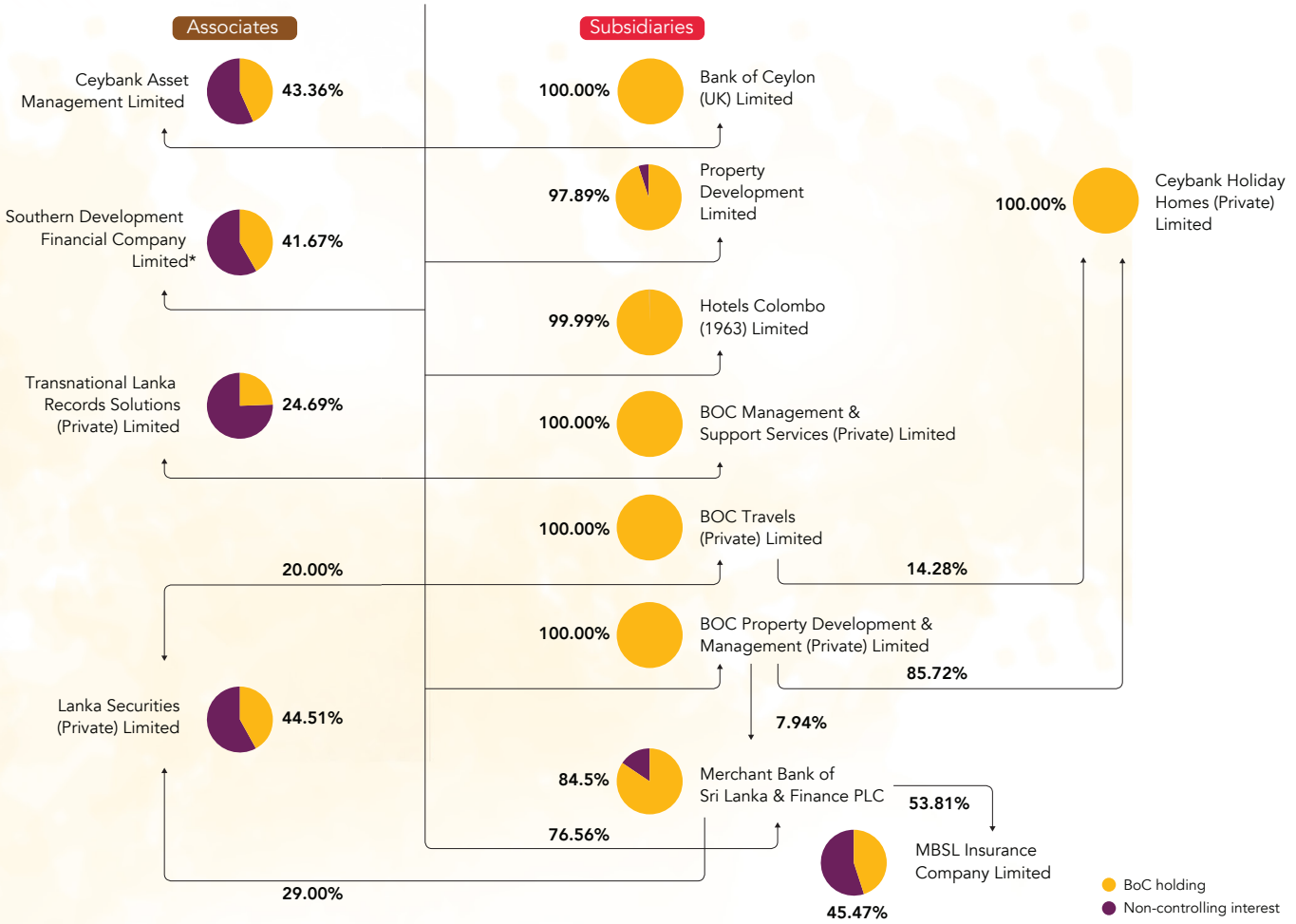
EMPLOYEES
8,579

CORRESPONDENT BANKING RELATIONSHIPS
763

CUSTOMER TOUCHPOINTS
2,241

OUR GROUP STRUCTURE AND KEY BUSINESS LINES

BANK OF CEYLON





RETAIL BANKING

We offer a range of financial services, such as lending, deposits, payment services, and transactional banking solutions, in support of small business and individuals, from retail clients to affluent and high-net worth individuals, and entrepreneurs, both digitally and in person.



CORPORATE AND OFFSHORE BANKING

We provide a variety of financial services, including corporate funding and deposits, project financing, trade services and offshore banking facilities catering to the private sector and state sector corporates and institutions.



INTERNATIONAL, TREASURY, INVESTMENT AND OVERSEAS OPERATIONS

The Bank's International Division handles foreign currency operations, while Treasury Divisions manages liquidity and fund management, and Investments Division handles investments activities. The Overseas Operations cluster is responsible for the Bank's overseas branch operations.

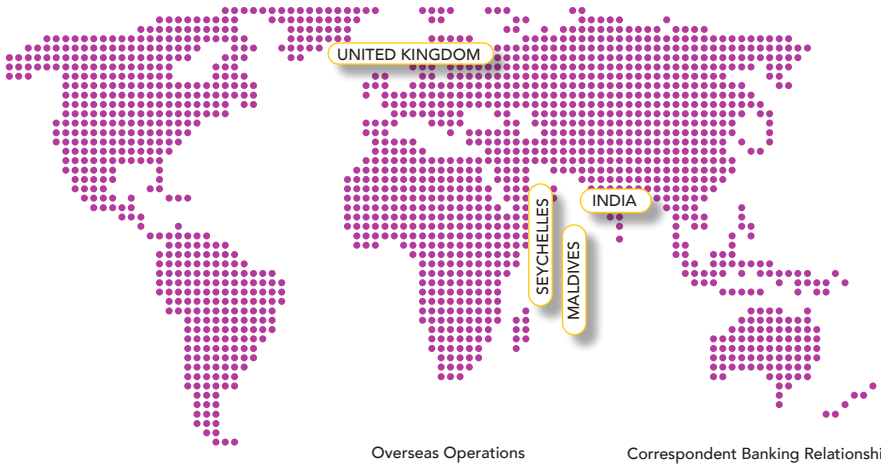
BOC AT A GLANCE

OUR DIGITAL PRESENCE

www.boc.lk

OUR FOOTPRINT

Bank of Ceylon maintains its position as Sri Lanka's locally incorporated largest bank, determined by its significant assets, deposits and loans and advances. With an extensive footprint comprising of a network of over 2,200 direct customer touchpoints, including fully-equipped and mobile branches, SME centers, ATMs, CDMs and CRMs island-wide, the Bank promotes financial inclusion across all provinces of the country. The Bank also operates overseas with three branches in India, Maldives, and Seychelles, a limited services branch in Hulhumale and a fully-owned subsidiary in London, United Kingdom.



Overseas Operations

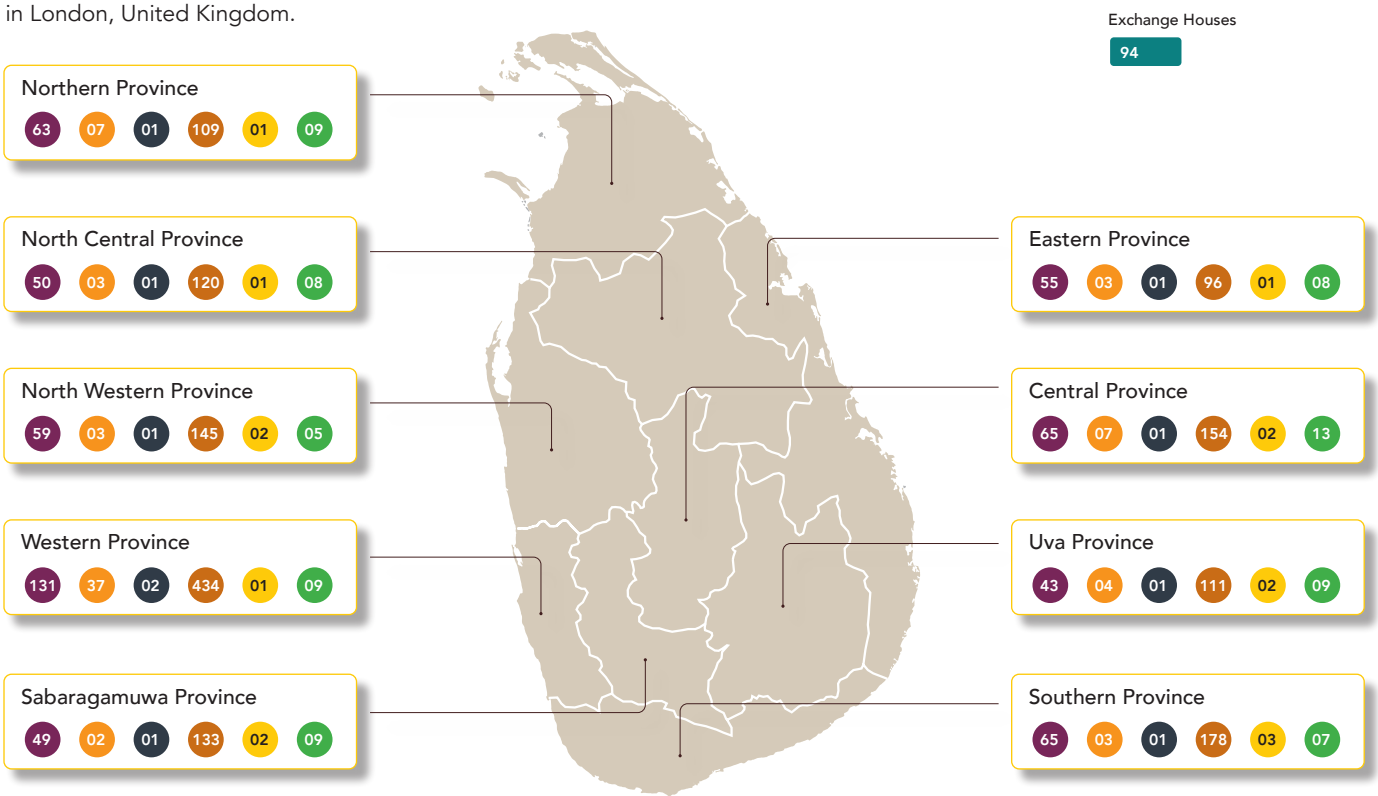
03 | 01 | 06

Correspondent Banking Relationships

763

Exchange Houses

94



Northern Province
63 | 07 | 01 | 109 | 01 | 09

North Central Province
50 | 03 | 01 | 120 | 01 | 08

North Western Province
59 | 03 | 01 | 145 | 02 | 05

Western Province
131 | 37 | 02 | 434 | 01 | 09

Sabaragamuwa Province
49 | 02 | 01 | 133 | 02 | 09

Eastern Province
55 | 03 | 01 | 96 | 01 | 08

Central Province
65 | 07 | 01 | 154 | 02 | 13

Uva Province
43 | 04 | 01 | 111 | 02 | 09

Southern Province
65 | 03 | 01 | 178 | 03 | 07

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



WHAT DIFFERENTIATES US

BoC is the **No.1 banking brand** in Sri Lanka with a brand value of **LKR 50.2 billion** which sets it apart from its competitors.

BoC is a purpose-driven bank which is focused on environmental sustainability and responsibility towards community. It has a proud track record of doing its business in an ethical and sustainable manner contributing positively to society.

Page 52

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The Bank is committed to uphold good governance and ESG leadership with its vision of 'Sustainable Development through **Social, Environmental,** and **Economic** bottom line'.

Pages 103-109



TOP 1000 BANKS IN THE WORLD FOR 2023



BANK OF THE YEAR 2023 (SRI LANKA)



BEST HR ORGANIZATIONS TO WORK FOR - GLOBAL HR EXCELLENCE AWARDS 2023

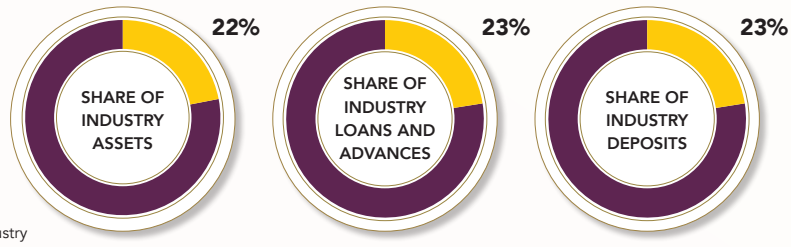
The Bank is recognised for its stellar performance across key indicators, highlighting BoC's resilience as **'Bankers to the Nation'.**

Pages 12-13

The Bank has a competitive Retail Banking business, a strong Corporate Banking franchise, and a scalable overseas presence, with a diverse range of lending and deposits products and other financial service products.

Pages 73-82

Holds the leadership position in the nation as the forerunner in **'Going green'**, lending to individuals, retail and corporate enterprises, and is the market leader holding a significant share in Loans and Advances.



Top-tier client satisfaction metrics and unmatched customer penetration of over 73%.



Strong risk management track records.

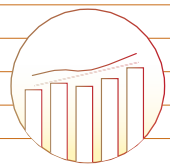
- Our correspondent banking relationships in overseas
- Market leader in inward remittances
- The diverse employee base

PERFORMANCE HIGHLIGHTS

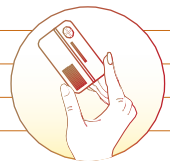
	Bank			Group		
	2023	2022	Change %	2023	2022	Change %
Financial Performance (LKR million)						
Total income	**542,187**	513,149	5.7	**551,867**	520,891	5.9
Net interest income	**91,188**	126,346	(27.8)	**95,510**	129,769	(26.4)
Profit before taxes on financial services	**53,006**	42,290	25.3	**54,695**	42,372	29.1
Profit before tax	**40,342**	30,977	30.2	**41,773**	31,053	34.5
Profit after tax	**26,694**	31,972	(16.5)	**27,618**	31,849	(13.3)
Value to the Government	**25,948**	31,949	(18.8)	**26,999**	32,606	(17.2)
Financial Position (LKR million)						
Total assets	**4,411,748**	4,336,460	1.7	**4,467,760**	4,390,769	1.8
Gross loans and advances	**2,457,772**	2,584,779	(4.9)	**2,491,981**	2,617,905	(4.8)
Deposits due to customers	**3,882,232**	3,334,774	16.4	**3,909,581**	3,358,198	16.4
Total liabilities	**4,160,034**	4,082,276	1.9	**4,195,181**	4,118,238	1.9
Total equity	**251,715**	254,184	(1.0)	**272,579**	272,531	0.0
Per Share Data (LKR)						
Basic earnings per share	**1,068**	1,279	(16.5)	**1,103**	1,280	(13.8)
Net assets value per share	**10,069**	10,167	(1.0)	**10,858**	10,859	0.0
Performance Ratios (%)						
Return on average assets	**0.9**	0.8	0.1	**0.9**	0.8	0.1
Return on average equity	**10.6**	14.1	(3.5)	**10.1**	13.1	(3.0)
Interest margin	**2.1**	3.1	(1.0)	**2.2**	3.2	(1.0)
Cost to income	**55.7**	29.4	26.3	**56.8**	30.8	26.0
Loans to deposits	**63.3**	77.5	(14.2)	**63.7**	78.0	(14.3)
Debt to equity	**32.2**	43.9	(11.7)			
Impairment provision as a percentage of gross loans and advances	**10.1**	10.0	0.1	**10.1**	10.0	0.1
Impaired loans (Stage 3)	**5.1**	5.3	(0.2)			
Impairment (Stage 3) to Stage 3 loans	**60.4**	59.7	0.7			
Statutory Ratios (%)						
Liquid asset ratio (Domestic) (Minimum requirement 20%)	**42.8**	21.2	21.6			
Liquidity coverage ratio (Rupee) (Minimum requirement 2023 - 100%, 2022 - 90%)	**316.0**	169.0	147.0			
Liquidity coverage ratio (All currency) (Minimum requirement 2023 - 100%, 2022 - 90%)	**227.2**	122.8	104.4			
Net stable funding ratio (Minimum requirement 2023 - 100%, 2022 - 90%)	**145.0**	137.0	6.0			
Leverage ratio (Minimum requirement - 3%)	**4.8**	4.6	0.2	**5.0**	4.7	0.3
Capital Adequacy Ratio (%)						
Common Equity Tier 1 Capital (Minimum requirement - 8.50%)	**11.7**	11.3	0.4	**12.1**	11.4	0.8
Tier 1 Capital (Minimum requirement - 10.00%)	**12.8**	12.4	0.4	**13.1**	12.4	0.7
Total Capital (Minimum requirement - 14.00%)	**15.8**	15.4	0.4	**16.2**	15.3	0.9

VALUE CREATION HIGHLIGHTS











	Measurement	2023	2022	Change%
Economic Performance				
Economic Value Creation				
Value to the Government	LKR billion	**25.9**	31.9	(18.7)
Forex inflows through inward remittances	USD billion	**4.8**	3.2	53.3
Contribution to energy sector	USD billion	**3.0**	1.9	56.9
Contribution to healthcare sector	USD million	**130.3**	70.0	86.2
Contribution to MSME sector	LKR billion	**66.3**	52.6	26.1
Business exposure revived	LKR billion	**82.2**	65.4	25.7
Financial Inclusion				
Disbursed through microfinancing	LKR billion	**11.0**	5.4	104.2
New loans to microfinance sector	No.	**32,115**	21,495	49.4
Microfinancing to women-led businesses	%	**30**	31	(1.4)
Customer touchpoints outside Western Province	No.	**1,617**	1,561	4.0
New BoC Connect agents	No.	**43**	34	26.5
New BoC Mithuru Societies	No.	**214**	130	64.6
BoC Gammana established	No.	**4**	2	100.0
Accounts opened under Aswesuma programme (Social welfare programme for low income earners)	No.	**353,764**	N/A	
Social Performance				
Employees				
Investment in employees	LKR billion	**29.8**	29.0	2.8
Recruitments	No.	**764**	57	1,240.4
Promotions	No.	**946**	588	60.9
Total training hours	Man hrs.	**275,019**	129,493	112.4
Investment in training and development	LKR million	**200.1**	73.9	170.8
Retention rate	%	**95**	98	(3.1)
Customers				
Customer touchpoints	No.	**2,241**	2,166	3.5
Digital contact points	No.	**1,490**	1,461	2.3
Digital transactions growth	%	**11**	10	1.0
Businesses revived	No.	**174**	40	335.0
Participants for awareness and training programmes	No.	**1,000 (approx)**	1,019	18.7
Environmental Performance				
Loans assessed for ESMS compliance	No.	**1,223**	841	45.4
New green lending	LKR million	**530.9**	711.6	(25.4)
Paper recycled	MT	**52.4**	21.9	139.4
Savings through paper recycled				
Trees	No.	**891**	373	138.9
Oil	Litres	**91,994**	38,477	139.1
Electricity	kWh	**209,672**	87,696	139.1
Water	Litres	**1,665,844**	696,745	139.1
Land fill	m^3	**157**	66	137.9
Solar power generation	MWh	**3,245.3**	3,219.3	0.8

AWARDS AND ACCOLADES





① **The Bank of the Year 2023 (Sri Lanka)**

The Banker Magazine, UK

② **No. 1 Banking Brand - Brand Finance Lanka**

Bank of Ceylon named as the No.1 Banking Brand for the 15th consecutive year with Brand value of LKR 50.2 billion.

③ **Top 1000 World Banks 2023 - The Banker Magazine, UK**

The only Sri Lankan Bank in the Top 1000 World Banks 2023

Technnovation Awards 2023

④ **Gold Award** for Most Popular Digital Payment Product (Banks and Non-Bank Financial Institutions-Mobile App Payment) for our SmartPay App

⑤ **Gold Award** for Bank of the Year in the Financial Inclusive Category A

⑥ **Gold Award** for Best Acquirer on LankaPay Online Payment Platform

⑦ **Silver Award** for Overall Excellence in Interbank Digital Payments (Banking Institutions)

⑧ **Silver Award** for Best Bank for Retail Payments

Merit Award for Best Common ATM Enabler of the Year in Category A

Merit Award for Most Popular Digital Payment Product (Banks & Non-Bank Financial Institutions Internet Banking) for B App

⑨ **Daraz Payment Partner Performance Award 2023**

"Daraz Payment Partner Performance Award 2023" awarded BoC with the "Best Performing Debit Card Growth 2023" accolade

⑩ **TAGS Awards - The Institute of Chartered Accounts of Sri Lanka**

Gold Award for Annual Report 2022 - excellence in State Banks category

Sustainability Awards

Green Building Council of Sri Lanka recognised Bank of Ceylon with;

⑪ Green Business Leadership Award of the year-Banking Sector for the second consecutive year

⑫ Award for Green Commitment Excellence of the Year 2023

⑬ BoC City Branch - Silver award in recognition for optimising green efficiency

⑭ Best Corporate Citizen Sustainability Awards 2023 for Consistent Commitment and Continuous Improvement Economic Contribution

⑮ Carbon Conscious Certificate - Climate Smart Initiative (Pvt) Ltd.

HR Awards

⑯ Asia Best Employer Brand Awards 2023

⑰ Best HR Organizations to Work For - Global HR Excellence Awards 2023

Excellence in Service

⑱ SLIM-Kantar People's Awards 2023

The Best Banking Service Provider of the Year 2023

LMD Customer Survey Excellence - Among the Top 3 Banks in Sri Lanka



2

UNPARALLELED TRUST AND LEADERSHIP

As an abundant source of renewable energy, sunlight sustains diverse ecosystems, forming the basis of the food chain and providing warmth for climate regulation.

Radiating stability and dependability with a solid foundation, the Bank serves as a symbol of enduring trust and assurance in the financial landscape by guiding individuals and businesses towards prosperity.

CHAIRMAN'S MESSAGE



"The Bank's strategic focus on digital transformation and financial inclusion was more pronounced than ever in 2023. We accelerated our digital banking initiatives, significantly enhancing our online and mobile banking platforms to cater to the evolving needs of our customers."

Ronald C Perera PC
Chairman

In a year marked by many challenges, Bank of Ceylon stood steadfast in its commitment to driving economic growth, fostering financial inclusion, and supporting sustainable development in our nation. Despite the numerous trials in the operating landscape, the Bank delivered a strong performance, reinforcing its market leadership position and supporting economic activity across the island. Thus, it is with great pleasure that I present to you the Bank's Annual Report of 2023 which stands as a declaration of our collective resolve, steadfast commitment and the unyielding spirit that characterises our esteemed organisation.

THE OPERATING LANDSCAPE

The year 2023 presented a complex global economic landscape, marked by a gradual yet uneven recovery from the deep scars left by the COVID-19 pandemic, further complicated by geopolitical tensions. These developments have had far-reaching implications, from disrupting global supply chains to introducing significant uncertainties in international markets. In the face of these global challenges, Bank of Ceylon's strategic initiatives were carefully crafted, drawing upon an in-depth analysis of the international economic environment. Our aim was to proactively anticipate and mitigate potential adverse impacts on our operations and strategic goals, ensuring we remained agile and responsive to global economic dynamics.

On the domestic front, Sri Lanka's economic landscape was fraught with many challenges. The economy experienced a notable contraction, with key sectors including construction, tourism, manufacturing, real estate and financial services facing severe headwinds. These sectors, vital to our national economy, suffered due to a contraction in private credit, shortages of essential inputs and widespread supply chain disruptions.

In response, the Bank undertook a series of strategic measures designed not only to navigate these challenges but also to bolster our clients and the broader economy. Our efforts were aimed at providing a stabilising force, offering support and solutions to businesses and individuals affected by these economic conditions.

A FORCE OF STRENGTH

Throughout the year, Bank of Ceylon meticulously aligned its operations with the Central Bank's strategic monetary policy adjustments. High interest rates which prevailed during the first half of the year were reduced by 550 basis points in June 2023 and the Standing Deposit Facility rate and Standing Lending Facility rate were reduced to 9% and 10% respectively in November 2023. Our proactive response to these changes enabled us to recalibrate our lending and deposit products, thereby offering more competitive rates to our customers. This strategic adaptation not only facilitated the easing of inflationary pressures but also invigorated economic activity by making credit more accessible and affordable for businesses and individuals alike.

In response to the pressing foreign exchange liquidity challenges, the Bank implemented robust strategies, including export financing and promoting remittance inflows, and significantly contributed to the stabilisation of the country's foreign exchange situation. This effort was underscored by the achievement of accumulating usable foreign reserves, thereby easing liquidity pressures and supporting the national economy in a critical period.

The Bank also played a pivotal role in the Government's Domestic Debt Optimisation (DDO).Our exposure to Government debts through investments in Sri Lanka Development Bonds (SLDBs), foreign currency loans to the Government and International Sovereign Bonds necessitated a strategic and constructive approach to debt restructuring. Our involvement in these initiatives was aimed at enhancing debt sustainability of the Government fiscal stability and contributing to a sustainable economic environment, showcasing our commitment to national economic resilience.

A RESILIENT FINANCIAL PERFORMANCE

In a year marked by significant challenges, both globally and locally, the Bank's financial performance stands as a symbol of resilience and strategic foresight. I am proud to report a remarkable Profit Before Tax (PBT) of LKR 40.3 billion for the year 2023 marking a growth of 30% over the previous year. This achievement is particularly noteworthy, considering the economic headwinds we navigated.

The Bank's asset base grew by 2% this year, a testament to our prudent management and strategic investments. This growth, though modest, is significant against the backdrop of the economic contractions faced by the country. Our strategic provisioning, a precautionary approach adopted from 2020, played a crucial role in this achievement, ensuring that our assets' growth was both sustainable and resilient to potential economic shocks.

This strategic provisioning not only fortified our financial position but also positioned us well to capitalise on future growth opportunities. Our approach was calibrated to balance risk and reward, ensuring that we remain on a stable footing while pursuing our growth ambitions.

CHAIRMAN'S MESSAGE

DIGITAL TRANSFORMATION AS A STRATEGIC PRIORITY

The Bank's strategic focus on digital transformation and financial inclusion was more pronounced than ever in 2023. We accelerated our digital banking initiatives, significantly enhancing our online and mobile banking platforms to cater to the evolving needs of our customers. An example of this commitment was the continuous enhancement of our digital presence, aiming to provide seamless and secure banking experiences. These efforts were not just about adopting new technologies but also about democratising access to financial services, ensuring that more people, especially in underserved regions, could benefit from digital banking solutions.

EMPOWERING BUSINESSES

In 2023, the Bank took significant strides in addressing the socio-economic challenges faced by our nation, particularly through the establishment and operations of the Business Revival and Rehabilitation Unit (BRRU). This initiative was born out of a recognition of the critical need to support businesses struggling in the aftermath of the pandemic and the compounded economic pressures. Our approach through this unit was not merely transactional; it was deeply rooted in a commitment to fostering economic recovery and sustainability.

Recognising the pivotal role of Small and Medium Enterprises (SMEs) in driving economic growth and employment, the Bank further intensified its support through the SME Circle initiative. In a year marked by supply chain disruptions and import restrictions, the SME Circle played a critical role in filling the market gaps, enabling SMEs to leverage new opportunities and enhance their competitiveness.

Our targeted support for SMEs went beyond financial assistance; it included capacity-building workshops, mentoring programmes, and networking opportunities, all aimed at strengthening the foundations of these enterprises. By assisting SMEs in adapting to the changing market dynamics and overcoming operational challenges, we contributed to the revitalisation of this crucial sector, fostering innovation, and promoting sustainable economic development.

COMMITMENT TO SUSTAINABILITY

During the year, the Bank deepened its commitment to integrating Environmental, Social, and Governance (ESG) considerations into the very fabric of its operations and embarked on a strategic initiative to align business practices with ESG best practices. A pivotal step in our ESG integration journey was a move designed to harness specialised expertise in developing and refining our ESG strategy. This collaboration enabled us to draw upon global best practices and insights, ensuring that our approach to ESG was both comprehensive and aligned with international standards.

Another significant milestone was the expansion of the Environmental and Social Management System (ESMS) unit within the Bank which became a central component of our sustainable decision-making. We remain dedicated towards implementing innovative solutions that minimise waste, promote renewable energy, and safeguard ecosystems as we believe in leaving a positive legacy for future generations.

CLOSING THOUGHTS

The Bank is poised to accelerate its journey towards becoming a digitally sophisticated institution, expand business operations beyond boundaries and gear up to cater to the expected growth. Our vision encompasses a holistic approach to digital transformation, with a particular emphasis on enhancing customer engagement. We understand that the future of banking lies in our ability to provide a seamless, intuitive, and personalised banking experience to our customers, leveraging the latest in digital technology. Our aim is to make banking more accessible, convenient, and secure for everyone, anywhere and at any time.

A significant focus will also be placed on enhancing staff training and development programmes. Our goal is to equip our team with the skills and knowledge needed to thrive in a rapidly evolving digital banking environment. This includes specialised training in digital technologies, cybersecurity, customer service excellence, and innovative problem-solving techniques. By investing in our people, we aim to foster a culture of continuous learning and innovation, ensuring that our staff are not only proficient in their current roles but are also well-prepared to embrace future challenges and opportunities.

APPRECIATIONS

I take this opportunity to extend my gratitude to my colleagues on the Board for their continued guidance and support in providing strategic direction to the Bank. My sincere appreciation goes out to Mr Manilka Fernando and Mr Harsha Wijayawardhana, who departed from our Board in 2023 and I warmly welcome Mr Naresh Abeyesekera and Prof. Kithsiri M Liyanage to our Board.

I also, wish to appreciate the unrelenting commitment of the General Manager/ CEO Mr Russel Fonseka, the members of the management and the BoC team, for their efforts in navigating the challenges to deliver our strategic aspirations.

Our sole shareholder, the Government of Sri Lanka has been a guiding force and I wish to place on record my gratitude to the Hon. Minister of Finance and the officials of the Ministry of Finance for their continued support.

I would also like to take this opportunity to extend my gratitude and appreciation to the Governor and officials of the Central Bank of Sri Lanka, the Auditor General and his staff, our valuable customers, business partners and all other stakeholders who have been an integral part of the Bank's journey thus far.

I also take this opportunity to welcome on board Mr Jayamin Pelpola and Mr Jehaan Ismail who joined the Board recently. I wish to extend my best wishes to the incoming Chairman Mr Kavan Ratnayaka, who takes on the baton of leadership to propel the Bank towards greater heights of success.

Looking ahead, the Bank remains steadfast in its commitment to contributing to Sri Lanka's economic resilience and growth. We are dedicated to leveraging our strengths, embracing innovation, and fostering sustainability to ensure that we not only meet, but exceed the expectations of our customers, employees, and all other stakeholders.



Ronald C Perera PC
Chairman

13 March 2024
Colombo

GENERAL MANAGER'S REVIEW



"I am proud to report that the Bank demonstrated resilience, adaptability, and commitment to its mission of serving customers, communities and the entire nation during their time of need."

W P Russel Fonseka
General Manager/
Chief Executive Officer

In the annals of our nation's history, there are crucial moments when the strength and resilience of our financial institutions have been tested, and it is during these times that the true spirit of Bank of Ceylon has shone the brightest. Despite the challenges stemming from the economic crisis which erupted the year before, I am proud to report that the Bank demonstrated resilience, adaptability, and commitment to its mission of serving customers, communities and the entire nation during their time of need. Through prudent risk management practices, diversified revenue streams, and cost efficient measures, we positioned ourselves to navigate through challenging times and capitalise on emerging opportunities, reaffirming our position as the leading bank in Sri Lanka. Thus, it is with pleasure that I share with you the annual review of the Bank's performance and accomplishments over the past year and the way forward of the Bank.

DELIVERING HOLISTIC VALUE

While we experienced unparalleled challenges over the years, we have always stayed true to our ethos of being the Bankers to the nation; our purpose of advancing the lives of people across all walks of life; our belief that each person has the power to change and to effect meaningful change in their community and in society; and our commitment to working towards a sustainable future.

Having faced the most unprecedented economic crisis the year before with skyrocketing inflation, high interest rates, volatile exchange rates, a severe liquidity shortage, disruptions to the supply of essential goods and services and social and political instability, our main priority during 2023 was economic revitalisation. BoC acknowledged the critical role it plays as a driver of economic activities and stood committed to taking proactive measures to navigate through challenges and contribute towards economic revival.

In this process, we did not look at industries on a stand-alone basis but instead adopted a more holistic view, identifying critical economic sectors.

As the first step, we worked towards establishing energy security in the country. Energy security is a crucial determinant in driving economic activities and as the country struggled to import fuel for power generation and to keep its transport system running amid dwindling foreign exchange reserves, BoC rose to the occasion and implemented various strategic initiatives to maintain energy stability. Looking beyond short-term profitability, the Bank prioritised the release of foreign exchange for fuel shipments and other essential sectors of the economy, which helped ease hardships which might otherwise have continued for a longer period of time. By promoting inward remittances and encouraging the flow of export proceeds to the country, we were able to generate a significant amount of foreign exchange to facilitate the import of these essential goods and serve our nation at a critical time.

Secondly, we identified the vulnerable sectors of the economy and put in our best effort to protect businesses that were in troubled waters. Tailored financial support including financing, advisory services, risk management solutions and cash flow management was provided to identified customers and businesses through the Business Revival and Rehabilitation Unit (BRRU) of the Bank. Through careful management and intensive care, we identified the bottlenecks faced by our customers and instead of resorting to recovery action, we focused on managing their liquidity and overall financial performance. We were able to revive 174 businesses during 2023 and I am incredibly proud of the commitment displayed by our team towards this initiative.

"We identified the vulnerable sectors of the economy and put in our best effort to protect businesses that were in troubled waters."

We recognised the need to ensure the well-being of our people and focused on supporting the pharmaceutical sector with the import of medicines and medical equipment.

Within an intricate and volatile economic landscape, the Bank's financial strength and capability served as bedrock pillars supporting the entire nation and enhancing resilience against unforeseen challenges. BoC's resilience and contribution to the Sri Lankan economy were recognised globally and locally, with the Bank being ranked among the world's top 1000 banks and "The Bank of the year 2023 – Sri Lanka", by The Banker magazine - UK, while also being named as the No.1 Banking Brand in Sri Lanka for the 15th consecutive year by Brand Finance Lanka.

FINANCIAL PERFORMANCE AND STABILITY

We concluded the year on a positive note, and our financial performance is a testament to the strength and stability displayed in a challenging economic context. The Bank's Profit Before Tax stood at LKR 40.3 billion, supported by a 15% increase in interest income.

GENERAL MANAGER'S REVIEW

However, interest expenses outweighed growth, leading to a 28% decline in net interest income, reflecting the Bank's commitment to not to transfer the full impact of interest rate hikes to its customers, in an effort to prioritise their business revival.

Net fee and commission income grew by 8%, mainly due to increased card-related transactions and retail banking services. However, income from trading and other operating income were impacted by exchange losses associated with the LKR appreciation.

The Bank proactively managed credit risk in advance by applying management overlays to identify risk elevated industries and reassessing exposures to high-risk borrowers. Prudent provisions were made during the prior years for expected losses with a sharp focus on strengthening the Balance Sheet of the Bank. These actions resulted in a net reversal of impairment provisions during the year, due to business revival activities, stringent credit monitoring, and currency appreciation.

Despite the reducing interest rates, the Bank's deposit base grew by 16% to LKR 3.9 trillion, demonstrating strong customer trust and confidence. The Bank's asset base reached LKR 4.4 trillion, with loans and advances amounting to LKR 2.5 trillion and investments to LKR 1.7 trillion.

Proactive and timely measures were adopted to manage the Bank's foreign currency and Rupee liquidity levels given the volatile market conditions that prevailed, which resulted in a Statutory Liquid Asset Ratio of 45%, well above the regulatory minimum of 20%. Capitalisation levels also remained relatively healthy with Tier 1 and Total Capital Adequacy ratios standing at 12.8% and 15.8% respectively, by 31 December 2023.

STRENGTHENING OUR ESG COMMITMENT

With the view of strengthening our ESG framework, we appointed an ESG consultant to support us over a three-year period to develop a sustainability roadmap for the Bank. We have also aligned our operations with the Central Bank's Roadmap for Sustainability as well as the United Nations Sustainable Development Goals. By adopting a holistic approach to develop ESG practices, we aim to contribute to positive outcomes for our stakeholders and society as a whole.

Our employees have been a force of strength during these challenging times, and thus, our commitment to supporting our team remained unwavering. We prioritised open communication, professional development, work-life balance, recognition, diversity and inclusion, to create an environment where our employees can thrive and succeed. While turnover levels remained elevated due to the economic downturn, we put in our best effort to keep our staff motivated and engaged.

We also intensified our efforts to uplift the micro, small and medium scale enterprises and launched the SME Energizer loan scheme, LKR 5.0 billion from the bank's fund was allocated during the year in this regard.

Our "BoC Gammana" programme aimed at empowering and strengthening the rural areas of the country continued throughout 2023, demonstrating our deep-seated commitment to corporate social responsibility. Apart from stimulating rural economies, this programme also aims to enhance financial literacy among people and protect them from predatory lending practices or financial exploitation.

The Bank takes its commitment to environmental stewardship very seriously and took concrete actions to reduce the carbon footprint, conserve natural resources, and protect the environment. As the leader in our industry, our commitment to environmental sustainability goes beyond just reducing our own impact and we leverage our influence to drive positive changes across our value chain. We expanded our green lending portfolio by LKR 530.9 million during the year and adopted more stringent screening of loans through the ESMS Unit with the belief that significant sustainability impacts can be delivered through our lending portfolio. We also introduced two new sustainable deposit schemes, Haritha Kekulu and e-Thuru with the objective of encouraging our nation to think green and be eco-friendly. Our efforts to drive positive environmental change were rewarded with the achievement of Green Business Leadership Award 2023 as well as Green Commitment Excellence of the Year 2023 award by the Green Building Council.

PAVING THE WAY FOR A DIGITALLY ENABLED FUTURE

As the banking landscape evolves, BoC has continually embraced digital transformation and innovation to enhance customer experience, improve operational efficiency, and drive financial inclusion. Our investments in digital banking platforms, mobile payment solutions, and FinTech partnerships have empowered customers with convenient, secure, and accessible banking services.

Pioneering in a range of cutting-edge digital solutions, the Bank aims to transform the country's financial services industry, taking on initiatives which are set to enable the Bank to unleash futuristic solutions ahead of others.

We were honoured with three gold awards and two silver awards for our outstanding digital initiatives at the LankaPay Technnovation Awards 2023, which underscores our commitment to innovation, customer-centricity, and leadership in the digital banking landscape.

With a heightened focus on data security enhancements, driven by evolving cyber threats, regulatory requirements, and customer expectations for robust privacy protections, BoC embarked on the process of aligning its IT governance processes with the COBIT 2019 framework. As the first bank in Sri Lanka to adopt this framework, we are committed towards streamlining and optimising our IT resources to improve our overall performance, while gearing towards an environment of emerging technologies, including AI, Cloud Computing, Open Banking, Big-data and Blockchain.

CLOSING THOUGHTS AND APPRECIATIONS

Following two consecutive years of contraction, we are finally beginning to see the economy gradually recovering. However, we are still not out of the woods and continuous efforts will be required to improve sustainable foreign currency inflows to prevent external sector imbalances, along with prudent measures towards risk mitigation by the financial sector. Continued effective coordination and collaboration with market participants, regulators and policymakers will also be essential to enhance the overall stability of the financial sector.

With the debt restructuring and State-Owned Enterprise (SOE) reforms, we may be able to witness better financial discipline, contributing to the overall health of the economy.

Clear demarcation between monetary and fiscal policies can also be envisaged, signalling a faster than expected recovery of the economy. While the rebound in tourism and related sectors indicates a favourable foreign currency reserve position, large-scale and foreign direct investments may not fully take flight under the looming uncertainties.

In this backdrop, BoC has planned to revamp its business model, with a greater focus on private sector lending. Consequent to the SOE reforms, the burden of underperforming SOEs will be alleviated and credit evaluation and monitoring process will be applied in uniformity across SOEs and the private sector.

The Bank will continue to play a key role in providing concerted support and lending to SMEs, funding key infrastructure development projects and industrial ventures and driving economic progress across all sectors of the nation. We also hope to expand our overseas presence and introduce new green/blue lending products across these regions.

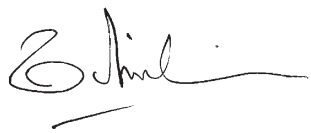
Looking ahead, we remain committed to drive digital excellence and innovation to better serve our customers by capitalising on synergies and existing capacity for growth in volumes and sharing the benefits of technological development with our customers through competitive pricing. We will continue to invest in cutting-edge technologies, data analytics, and cybersecurity measures to ensure the security, reliability, and integrity of our digital banking ecosystem.

In conclusion, I wish to express my sincere thanks to our Chairman and all Board Members for their stewardship during these challenging times. My sincere gratitude to the Corporate and Executive Management Team and all staff, who worked around the clock to prioritise the needs of our stakeholders, and all aspects of national economic revival in 2023.

I also take this opportunity to thank the officials at the Ministry of Finance, the National Audit Office and the Central Bank of Sri Lanka for their guidance and direction during a testing year and look forward to their support in the year ahead.

Finally, to our valued customers, business partners, trade unions and the other stakeholders – thank you for your continued support, trust and confidence over the years.

As I reflect on this chapter in our nation's history, I am proud of the pivotal role played by BoC, as a catalyst for progress, and a beacon of trust in times of adversity. In the face of challenges, the indomitable spirit of our Bank continues to illuminate the path forward, guiding us towards a brighter future.



W P Russel Fonseka
General Manager/
Chief Executive Officer

27 February 2024
Colombo



INCOMING CHAIRMAN'S MESSAGE

Kavan Ratnayaka
Chairman

As I assume the role of Chairman, I am honoured and humbled by the opportunity to serve you and the esteemed Bank of Ceylon in its 84th year of operations. As the largest commercial bank in Sri Lanka, the Bank played a critical role in creating value for its stakeholders amidst a multitude of challenges faced by the nation during the last few years. Through strategic decision-making and unwavering determination, the Bank has not only weathered storms, but emerged stronger and more agile than ever before. By introducing a range of state-of-the-art digital solutions, the Bank has been successful in leading the way in innovation, customer-centricity and leadership in the digital banking landscape, which I believe will be key drivers of success in the years ahead.

THE PATH AHEAD

I assume my duties with an acute understanding of the responsibility bestowed upon me and I am committed to uphold the legacy of excellence BoC carries in supporting the nation and the economy. The Bank's commitment to the development of the economy has been reinforced by the initiatives that have been taken to revive and support micro-finance lending for smallholder groups and entrepreneurs; concessionary and development lending that benefits Small and Medium Enterprises (SMEs). The Bank's SME Circle has played a pivotal role in guiding SMEs towards the right path towards financial stability and progress. Recognising the critical importance of this segment, we hope to focus on directing our concerted support and lending to SMEs, especially export-oriented SMEs and companies to facilitate stability of the financial system and the economy.

Information technology and digitalisation is a key priority in the Bank's transformational strategy.

"A digital-first business model will enable the Bank to reach out to its customers, leverage synergies and drive exponential growth in volumes. This would position the Bank to share the benefits of technological advancement with its formidable customer base."

Over the past few years, the Bank has accelerated its investment in digital infrastructure in order to drive greater digital adoption levels across our customer base, whilst driving financial inclusivity. A digital-first business model will enable the Bank to reach out to its customers, leverage synergies and drive exponential growth in volumes. This would position the Bank to share the benefits of technological advancement with its formidable customer base. This will also enable us to reach out across the length and breadth of our nation with the Bank's wide product spectrum thereby enabling all Sri Lankans to realise their future financial aspirations. Continued investment in our digital channels, will refine and develop service standards to create a superior customer experience. Moreover, the Bank will improve its customer-centric service, by reducing turnaround times through workflow automation and process enhancements. Our efforts towards the transition to digitalisation and digital products, will be a key focus in our future trajectory which will enable the Bank to move ahead on a pathway to stable growth with a growing market share and an increasing asset base.

Our dedicated team has played a critical role in charting the course of the Bank. We are privileged to have a staff strength of over eight thousand team members whose unstinted dedication has played a key role in maintaining the Bank's number one position despite challenges encountered over the years. Ensuring that all employees are fully engaged in the transformation journey and aligned to our vision is key to our success. We will also continue to invest in upskilling our employees through training, capacity development, and measures for career progression.

As the leading bank in Sri Lanka, we aim to direct our focus on the core business and the Bank has strategically divested its shareholding in some of its unrelated business ventures. Furthermore, we hope to strengthen our overseas operations across our network of international branches. As the Chairman of the Board, comprising of members who have excelled in their careers and possess wide and varied experience, I will ensure their contribution adds substantial value to the Bank. I am firmly committed to maintaining the highest standards of ethics, transparency, and governance in all our operations and will continue to prioritise integrity and accountability in everything we do. Looking ahead, we are presented with a world of endless possibilities and opportunities. By embracing innovation, fostering collaboration, and staying true to our core values, I am confident that we will overcome any obstacles that may come our way.

APPRECIATIONS

As I look forward to an exciting year, I join the Board of Directors in thanking my predecessor, Mr Ronald C Perera and the outgoing Directors for their vision and guidance over the years in propelling the Bank forward.

I wish to congratulate the General Manager, Mr Russel Fonseka and the Team for their relentless efforts and commitment in delivering the strategic aspirations and impressive performance set out in this Report. As we reflect on the success achieved in the past year, amidst a multitude of challenges, it is clear that our path to success has been made possible by the dedication and commitment of our team. Their passion and steadfast commitment to excellence are the driving force behind our achievements.

Our sole shareholder, the Government of Sri Lanka has been a guiding force and I wish to place my sincere appreciation to the Hon. Minister of Finance and the officials of the Ministry of Finance for their continued support. I would also like to take this opportunity to extend my gratitude and appreciation to the officials of the Central Bank of Sri Lanka, our valuable customers, business partners and all other stakeholders who have been an integral part of the Bank's success story.

I also take this opportunity to welcome to the Board, Mr Jayamin Pelpola and Mr Jehaan Ismail. I am confident that with the collective dedication of our Board, Management, and our exceptional staff, the Bank will continue to be the leader in Sri Lanka's financial sector. We remain dedicated to serve our nation and its people, fostering economic growth and creating a sustainable future for all.



Kavan Ratnayaka
Chairman

14 March 2024
Colombo

BOARD OF DIRECTORS





Left to right

Mr R M Priyantha Rathnayake
Non-Independent Non-Executive Ex-officio Director

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

Mr Ronald C Perera PC
Chairman/ Independent Non-Executive Director

Mr Naresh Abeyesekera
Independent Non-Executive Director

Prof. Kithsiri M Liyanage
Independent Non-Executive Director

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

(As at 31 December 2023)

BOARD OF DIRECTORS



MR RONALD C PERERA PC

Chairman (Outgoing)
(Independent Non-Executive Director)

Date of Appointment:
20 January 2023
Resigned on 13 March 2024

Skills and experience

- President's Counsel with extensive experience in the original courts as well as in the Court of Appeal and Supreme Court of Sri Lanka.
- Expertise in civil and criminal litigation, negotiations and drafting contracts and agreements.
- Specialises in Commercial Law, Banking Law, Industrial Law, Injunctions, Defamation, Election Petitions, Civil Appeals, Revision Applications, Writ Applications and Fundamental Rights Cases. He has also appeared in several Commercial Arbitrations.
- Holds a Bachelor of Laws (LLB) from the University of Colombo and a Master of Laws (LLM) in International Trade Law from Northumbria University, United Kingdom.

Previous appointments

- Chairman and Director of Bank of Ceylon from January 2015 to November 2019.
- Chairman of Bank of Ceylon (UK) Limited.
- Chairman of Merchant Bank of Sri Lanka and Finance PLC.
- Director of Mireka Capital Land (Private) Limited and Mireka Homes (Private) Limited.
- Acting Chairman of National Lotteries Board.

Other appointments

Non-Executive Chairman of;

- Hotels Colombo (1963) Limited (up to 13 March 2024).
- Property Development Limited (up to 13 March 2024).
- Bank of Ceylon (UK) Limited (up to 13 March 2024).
- Sri Lanka Insurance Corporation Limited.



MR KAVAN RATNAYAKA

Chairman (Incoming)
(Independent Non-Executive Director)

Date of Appointment:
14 March 2024

Skills and experience

- Holds a Bachelor of Science (Physics) from the University of California, Riverside Campus.
- Possesses over three decades of experience across the Information and Communication Technology (ICT) field.
- Wealth of experience garnered from leadership positions across diverse sectors, including telecommunications, tourism, banking and media.
- Expertise in Client Relationship Management, Project Management, Partner Management, General Management, Leadership and Government Relations.

Previous appointments

- Chairman of National Development Bank PLC (NDB).
- Chairman of Sri Lanka Ports Authority.
- Chairman of the Sri Lanka Tourism Development Authority.
- Chairman and Managing Director of Associated Newspapers of Ceylon Limited.
- Chief Executive Officer of Dialog Broadband Networks (DBN).
- Group Chief Corporate Officer of Dialog Axiata PLC.
- Committee Member of the Ceylon Chamber of Commerce.
- Director of Agility Innovations Limited.
- Country General Manager of IBM World Trade Corporation.

Other appointments

- Non-Executive Director of KBSL Information Technologies Limited.
- Non-Executive Director of Coding Legends (Private) Limited.
- Non-Executive Director of Terra Tech (Private) Limited.
- Trustee of the Jayam Wijeratnam Trust.
- Trustee of the Dialog Foundation.



MR R M PRIYANTHA RATHNAYAKE

Non-Independent Non-Executive Ex-officio Director

Date of Appointment:
28 April 2020 and Reappointed on 29 April 2023

Skills and experience

- Special Grade Officer in the Sri Lanka Planning Services with over 26 years experience.
- Extensive experience in multilateral development banking which involved mobilising foreign funding for development projects including bilateral negotiations, coordination with development partners and lending agencies.
- Holds a MSc in Agriculture from the Agriculture University of Norway and a BSc in Agriculture Economics from the University of Peradeniya.

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.
- Director of the Sri Lanka Institute of Tourism and Hotel Management.
- 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.
- Ex-officio Chairman of Local Loan and Development Fund.

Other appointments

- Deputy Secretary to the Treasury.
- Non-Executive commission Member of the Securities and Exchange Commission of Sri Lanka.
- Non-Executive Director of Colombo Lotus Tower Management Company (Private) Limited.
- Non-Executive Director of Asian Infrastructure Investment Bank representing the constituency of Cambodia, Indonesia, Laos, PDR, Sri Lanka and Timor-Leste.



MAJOR GENERAL (RTD.) G A CHANDRASIRI VSV

Independent Non-Executive Director

Date of Appointment:
08 January 2021

Ceased to be a Director on
07 January 2024

Skills and experience

- Wide experience and exposure in the public sector having held several key leadership positions.
- A graduate from the National Defence 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).

Previous appointments

- Illustrious military career of 35 years, holding 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 Coordinator 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.

Other appointments

- Non-Executive Chairman of Airport and Aviation Services (Sri Lanka) (Private) Limited (Up to 12 December 2023).

BOARD OF DIRECTORS



PROF. KITHSIRI M 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, Finland and the United States.
- Involved in several national-level roles with key Government Ministries, Departments, and advisory bodies and committees.
- 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.
- A Chartered Engineer and Fellow of the Institute of Engineers Sri Lanka (IESL).
- Senior Member of Institute of Electrical and Electronics Engineers, USA (IEEE).

Previous appointments

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

Other appointments

- Senior Professor, Department of Electrical and Electronic Engineering, University of Peradeniya.
- Non-Executive Independent Director of Sri Lanka Telecom PLC.



MR NARESH ABEYESEKERA

Independent Non-Executive Director

Date of Appointment:
04 May 2023

Skills and experience

- Specialises in Transaction Advisory, Debt and Private Equity Structuring and funding with a strong presence in the Gulf Cooperation Council (GCC), Europe and Asia.
- Recognised as one of the youngest CFOs of USD 100+million entities.
- Received industry leadership award by SLASSCOM for the contribution to the IT industry of Sri Lanka.
- Was instrumental in conceptualising Colombo Stock Exchange Mobile App and digitalising the Sri Lankan Capital Market.
- Co-founded the Institute of Internal Auditors Chapter.
- Trained in international taxation and international tax strategy in ISDB Malaysia.
- Trained in Lean Practices in Toyota Production Plant in Japan.
- Fellow member of the Institute of Chartered Accountants of Sri Lanka and a member of the Chartered Institute of Management Accountants (UK).
- Holds an MBA from the Postgraduate Institute of Management (University of Sri Jayewardenepura).

Previous appointments

- Global Chief Financial Officer for market services and technology of the London Stock Exchange Group.
- Commission Member of the Securities and Exchange Commission of Sri Lanka (SEC).
- Chairman of the SEC-CSE (Colombo Stock Exchange) joint Committee on Digitalisation of the CSE and the Capital Market.

Other appointments

- Chief Executive Officer/ Working Director of SECQUORO.
- Non-Executive Director of Footwear Retailers (Private) Limited.
- Non-Executive Director of Softlogic Capital PLC.



MR JEHAAN ISMAIL

Independent Non-Executive Director

Date of Appointment:
07 February 2024

Skills and experience

- Over four decades of extensive experience in commercial and investment banking mainly in Asia, countries in the Western Hemisphere and the Middle East.
- Has coordinated major system related projects and has been responsible for the setting up and running of all investment banking support functions.
- A visiting lecturer (Institute of Bankers of Sri Lanka) teaching Practice of Banking and Trade Finance.
- A training executive for over 02 years.
- Holds a Bachelor of Science (Chemistry) degree with Honours from the University of Colombo, Sri Lanka.
- Fellow member of the Chartered Institute of Bankers, UK.
- Has participated in external management and leadership development programmes at INSEAD and Cranfield.

Previous appointments

- Director/ CEO of M Power Capital Limited.
- Director/ CEO of First Capital Holdings PLC.
- COO of both HSBC Colombia and HSBC Saudi Arabia.
- CEO of SABB Securities (HSBC Group, Saudi Arabia).
- Senior Vice President Corporate Banking HSBC Indonesia and Global Relationship Manager, Corporate Banking, HSBC Hong Kong.

Other appointments

- Non-Independent Executive Chairman of M Power Capital Limited.
- Non-Independent Non-Executive Chairman of M Power Capital Securities Limited.
- Non-Independent Executive Director of Common Well (Private) Limited.
- Non-Independent Executive Director of Kapitan (Private) Limited.
- Non-Independent Non-Executive Director of Little Gym Lanka (Private) Limited.



MR JAYAMIN PELPOLA

Independent Non-Executive Director

Date of Appointment:
22 February 2024

Skills and experience

- 15 years of international experience in investment banking, asset management and digital finance.
- Has structured international investments exceeding USD 20 billion.
- As a senior consultant, advised US banks and international Central Banks on banking sector reforms. This includes advising the Board of Directors at Bank of America, DBS, Wells Fargo and Deutsche Bank on capital adequacy decisions, recapitalisations and the application of digital innovations in banking.
- Investor and entrepreneur in the Financial Technology (FinTech) space.
- Holds an MBA from the Harvard University (Cambridge, Massachusetts).
- Obtained charters from Chartered Financial Analyst Institute (USA) and Chartered Institute of Management Accountants (UK). Became the youngest Chartered Management Accountant in the world, at the time.
- Holds a postgraduate Diploma in Marketing from CIM (UK).

Previous appointments

- Director of Board of Investment (BOI) of Sri Lanka. Chairman of the the Audit Committee at the BOI.
- Founder of Moneyworks Technologies (Private) Limited.
- Investment Manager and Proprietary Trader at Goldman Sachs.
- Senior Consultant with Nomura.

Other appointments

- Non-Executive Director of Onterra Group.
- Non-Executive Director of Jayaru TP.



MS JANAKI SENANAYAKE SIRIWARDANE

Secretary, Bank of Ceylon/
Secretary to the Board

Profile is given on page 34

CORPORATE MANAGEMENT



Seated left to right

Ms W B P Rathnayake, Mr D S Muthukudaarachchi

Standing left to right

Mr M R N Rohana Kumara, Mr Y A Jayathilaka, Ms P P M Wijesekara, Mr Sameera D Liyanage, Mr H Priyal Silva, Mr M P Ruwan Kumara, Mr A R F John Pulle, Mr G A Jayashantha



Seated left to right

Mr W P Russel Fonseka, Ms Janaki Senanayake Siriwardane

Standing left to right

Mr Nilantha Meneripitiyage, Mr R M N Jeewantha, Mr P Maduwantha Liyanage, Mr S Sivanjan, Mr K A D Wijayawardhane, Mr B K Gurusinghe, Mr K A Ajith Karunarathne, Ms Rochelle Fernando, Mr Buddhikka Seelanatha

CORPORATE MANAGEMENT



MR W P RUSSEL FONSEKA

General Manager/Chief Executive Officer

Appointed as the General Manager in January 2023

Skills and experience

Over 33 years of experience in Banking Service specialising in Corporate and Offshore Banking, Retail Banking, International, Treasury and Investment Banking. Prior to appoint as the General Manager/Chief Executive Officer, he performed duties as the Chief Financial Officer of the Bank, managing financial aspects of the Bank to proactively implement necessary alignments to the Bank's overall strategy with his expertise on financial and banking discipline.

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



MS JANAKI SENANAYAKE SIRIWARDANE

Senior Deputy General Manager
Secretary, Bank of Ceylon/Secretary to the Board

Appointed to the Corporate Management in October 2010

Skills and experience

Over 27 years of experience in the Bank in Company Secretarial and Corporate Governance.

An Attorney-at-Law by profession with a LLB.

MBA (Merit) (University of Colombo).



MR D S MUTHUKUDAARACHCHI

Deputy General Manager
(Recovery Corporate)

Appointed to the Corporate Management in February 2020

Skills and experience

Over 33 years of experience in diverse aspects of 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
(Product and Banking Development)

Appointed to the Corporate Management in February 2020

Skills and experience

Counts over 26 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 major IT projects such as implementation of Core Banking and Trade Finance systems in BOC UK Ltd, Core Banking and Teller system upgrade of the Bank, implementation of DMS and Workflow Automation System, and several other customer-facing digital offerings of the Bank such as BOC Digi, Branch On Wheels, BOC Connect, WhatsApp banking, Smart Passbook, Smart FD, Self-service kiosks, and Apply Online.

BSc (Special) with first class Degree in Business Administration (University of Sri Jayewardenepura), Master of Business (Finance) Degree (University of Kelaniya), Associate Member 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 26 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 (Special) Degree in Marketing (University of Ruhuna), MBA in Accountancy (University of Kelaniya), Postgraduate Diploma in Professional Marketing (Chartered Institute of Marketing, UK), Postgraduate Diploma in Business Administration, Member of the Chartered Institute of Marketing (UK), Associate Member of the Institute of Bankers of Sri Lanka and Member of the Sri Lanka Institute of Marketing.



MR G A JAYASHANTHA

Deputy General Manager
(Corporate and Offshore Banking)

Appointed to the Corporate Management in September 2020

Skills and experience

Counts over 26 years of experience in the Bank with Specialised skills in the Branch Banking and Operations, Retail Credit, Treasury Operations, Assets and Liability Management, Risk Management, Recovery and Corporate and Offshore Banking Operations.

BSc (Special) Degree with first class 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) and Associate Member of the Institute of the 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 26 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 (Institute of Bankers of Sri Lanka), International Diploma in Governance, Risk and Compliance (International Compliance Association, UK), and Associate Member of the Institute of Bankers of Sri Lanka and the International Compliance Association.



MR R M N JEEWANTHA

Deputy General Manager
(International, Treasury and Investment)

Appointed to the Corporate Managment in September 2020

Skills and experience

Over 21 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 (Postgraduate Institute of Management), Member of the Institute of Certified Professional Managers of Sri Lanka and Senior Fellow Member of the Institute of Bankers of Sri Lanka.

Visiting Lecturer, University of Sri Jayewardenepura and Institute of Bankers of Sri Lanka.



MR M P RUWAN KUMARA

Chief Financial Officer

Appointed to the Corporate Management in September 2020

Skills and experience

Over 21 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 (Open University of Sri Lanka), Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Associate Member of the 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.



MR S SIVANJAN

Deputy General Manager
(Branch Credit Operations - Range 1)

Appointed to the Corporate Management in September 2020

Skills and experience

Over 21 years of banking experience in Retail Branch operations, Credit, Recovery, Development Banking, Branch Transformation, Microfinance, International and Overseas operations.

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



MR B K GURUSINGHE

Chief Legal Officer

Appointed to the Corporate Management in September 2020

Skills and experience

Over 26 years of experience as a banking professional, with expertise in Corporate Banking, Retail Banking, Credit and Organisational Transformation.

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

CORPORATE MANAGEMENT

BSc (Special) Degree in Business Administration (University of Sri Jayewardenepura), Commonwealth Executive MBA (Open University of Sri Lanka), Postgraduate Diploma in Business and Financial Administration (Institute of Chartered Accountants of Sri Lanka), Diploma in Credit Management (Institute of Bankers of Sri Lanka), Associate Member of the Institute of Bankers of Sri Lanka and Member of the Sri Lanka Bar Association.



MR M R N ROHANA KUMARA

Deputy General Manager
(Business Revival and Rehabilitation)

Appointed to the Corporate Management in January 2021

Skills and experience

Counts over 21 years of experience in the Bank having expertise and leadership roles in Business Revival and Rehabilitation, Recovery, Retail Credit and Project Finance.

Serves as the Secretary General of Association of Professional Bankers Sri Lanka.

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



MR A R F JOHN PULLE

Deputy General Manager
(Finance and Planning)

Appointed to the Corporate Management in July 2021

Skills and experience

Over 32 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 (Universita' Pontificia Salesiana, Italy) and Associate Member of the Institute of Bankers of Sri Lanka.



MR NILANTHA MENERIPITIYAGE

Chief Risk Officer

Appointed to the Corporate Management in July 2021

Skills and experience

Career banker with 31 years of experience in both local and overseas operations in areas of leadership, Corporate and Offshore Banking, Branch Operations and Development Banking, Retail and SME Lending, Risk Management, Credit Cards operations, Treasury operations, Project Management, ESG, Information Technology, and Maldives branch operations.

He has given a coherent leadership for Bank of Ceylon (UK) Ltd as the CEO/ Executive Director and held responsibility for the firm's performance of its obligations under the UK regulatory framework. Led the setting and execution of strategy for the Bank and spearheaded implementation of a new core banking solution and various other supporting application systems, while laying a strong foundation for a sustainable and resilient business model.

BSc (Special) with Honors Degree in Management and M.Sc. (Management) Degree (University of Sri Jayewardenepura) and Associate Member of the Institute of Bankers of 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 and Export Development Board.



MR K A D WIJAYAWARDHANE

Deputy General Manager
(Human Resource)

Appointed to the Corporate Management in October 2021

Skills and experience

More than 21 years of experience in the Bank specialising in Branch Banking, Credit and Retail Banking, Executive and Corporate leadership in Human Resource operations.

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



MR K A AJITH KARUNARATHNE

Deputy General Manager
(Recovery Provinces)

Appointed to the Corporate Management in December 2021

Skills and experience

Over 21 years of experience in the Bank specialising in the areas of Retail 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), MBA (University of Wayamba), Member of Association of Accounting Technicians

of Sri Lanka and Associate Member of the Institute of Bankers of Sri Lanka.



MS P P M WIJESEKARA

Deputy General Manager (Support Services)

Appointed to the Corporate Management in March 2023

Skills and experience

Over 32 years of experience in various areas of banking specialising in Retail Banking, Corporate Credit, Recoveries, Offshore Banking, Administrative Services, Marketing, Overseas Branches and Credit Audit operations.

Experience in international banking was acquired during her tenure at Bank of Ceylon (UK) Ltd.

MBA (Merit) (London Metropolitan University), Post Graduate Diploma in Management (University of Sri Jayewardenepura), National Diploma in Technology (University of Moratuwa), Fellow Member of the Institute of Bankers of Sri Lanka.



MS ROCHELLE FERNANDO

Deputy General Manager (Development Banking and Branch Credit Operations - Range 2)

Appointed to the Corporate Management in March 2023

Skills and experience

Counts over 26 years of experience in Retail Banking, Corporate Banking and Trade Finance specifically covering all the functions related to the Import Segment of Offshore Banking Division.

BBA (Special) in Financial Management (University of Colombo), Management Development Programme for the Key Management Personnel conducted by the Postgraduate Institute of Management (University of Sri Jayewardenepura), Associate Member of the Institute of Bankers of Sri Lanka, Member of the Association of Professional Bankers - Sri Lanka.

Resource Person for the Certificate Course/ Advance Certificate Course on Banking Procedures Related to International Trade to Export Development Board from 2018 up to December 2022. Serves as the President of Trade Finance Association of Bankers.



MR P MADUWANTHA LIYANAGE

Chief Internal Auditor

Appointed to the Corporate Management in December 2014

Skills and experience

A Finance Professional with over 24 years of experience in Banking and Finance.

Prior to joining the Bank as the Chief Internal Auditor, he has served at Commercial Credit & Finance (PLC) Ltd., and Pan Asia Bank in the same capacity. Has served the Bank as the Internal Auditor during the period of 2006 – 2008. His experience includes Lanka Clear (Pvt) Ltd., National Cheque Clearing House in the capacity of Finance and Administration Manager and Ernst & Young as a Qualified Assistant.

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 25 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 (Chartered Institute of Marketing - UK), Member of the CIM - UK, Sri Lanka Institute of Marketing and Association of Professional Bankers - Sri Lanka.



MR BUDDHIKKA SEELANATHA

Chief Information Officer

Appointed to the Corporate Management in September 2023

Skills and experience

Counts over 25 years of Banking and IT experience across both public and private sector institutions. Demonstrated success in spearheading and implementing digital transformation strategies within organisations, aimed at enhancing overall value by boosting revenue and elevating the customer experience. Proficiency in key domains including application development, data warehousing, and data analytics.

BSc Degree in Management Information Systems (National University of Ireland, Dublin).

EXECUTIVE MANAGEMENT



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 1

Ms K P Mallika
Assistant General Manager -
Investigations

Mr I S N Perera
Assistant General Manager -
Corporate Relations

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

Mr W M A Wanigasekera
Assistant General Manager -
Superannuation Schemes

Ms P M Withana Arachchi
Assistant General Manager -
Branch Operations



Ms H M M D Herath
Assistant General Manager -
Southern Province

Ms S H M M P Herath
Country Manager -
Malé

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

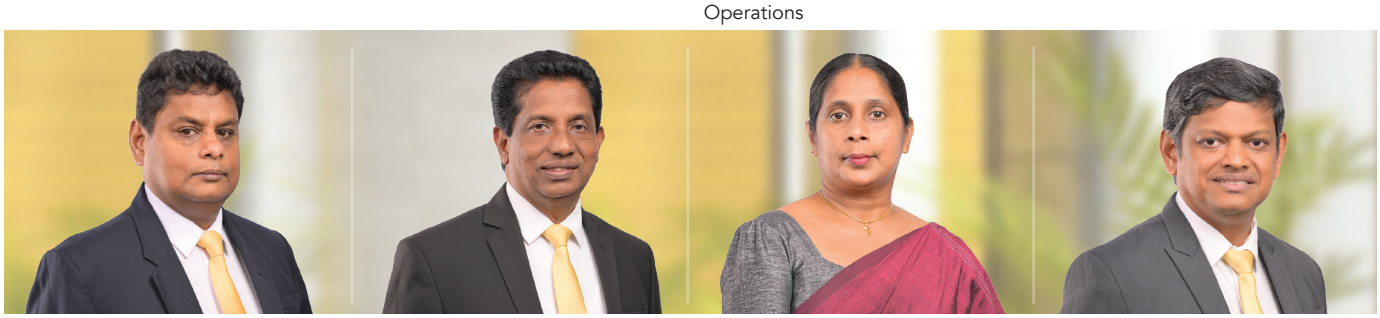


Ms K J Yogaratnam
Country Manager - Chennai

Ms 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
Assistant General Manager - Offshore Banking

Mr W M N D Dayawansa
Assistant General Manager - Centralised Operations

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 - Accounting and Tax

Ms W K L B N Samanthie
Assistant General Manager - Branch Credit - Range II

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

Mr V Sivananthan
Assistant General Manager - Northern Province

EXECUTIVE MANAGEMENT



Mr A W R Thushantha
Country Manager - Seychelles

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

Ms S S T Kulasekera
Assistant General Manager - Project Finance

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



Ms W A G L Weerakkody
Assistant General Manager - Credit Audit

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 Nawarathne
Assistant General Manager - Uva Province

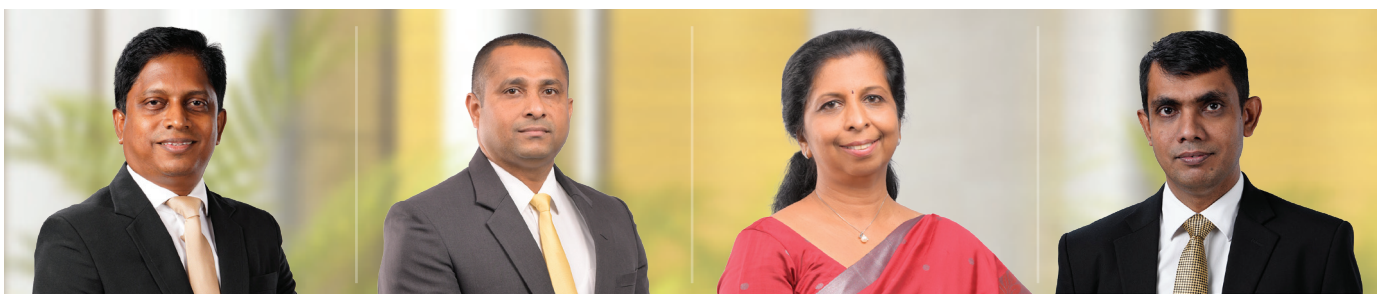


Ms N R D N Perera
Assistant General Manager - Metropolitan

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

Mr I U K D Wijegunawardena
Assistant General Manager - Electronic Banking Centre

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 - Western Province Central

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 - Marketing

Mr B V C G P Ranasinghe
Assistant General Manager - Sabaragamuwa Province

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 (Operations and Technical Support)

Ms P T Goonetilleke
Assistant General Manager - Compliance

Ms U N Herathrandeny
Assistant General Manager - State Owned Enterprises Relations

Ms A A Y K K Jayasooriya
Assistant General Manager - Business Revival and Rehabilitation (Provinces)



Mr K C Mahawatta
Assistant General Manager - Administrative Services

Ms K K N J Priyadarshika
Assistant General Manager - Overseas Branches

Ms R P L I Ranasinghe
Assistant General Manager - Procurement

Mr K K Susantha
Assistant General Manager - Trade Services



Ms P Jayatunga
Assistant General Manager - IT (Application Systems)

Ms B T S Perera
Assistant General Manager - IT (Delivery Channels)

The Bank of Ceylon navigated its way through a complex and dynamic macro environment. This dynamic landscape is influenced by internal and external factors, including geopolitical events, regulatory changes, climate and societal shifts as well as economic uncertainties, presenting us with both challenges and opportunities.



3

OUR STRATEGIC INTENT

As the sun serves as the epicenter of our solar system, a well-defined strategy acts as the nucleus for the Bank's operations, providing direction and energy to all its endeavors.

As the sun radiates warmth and light, a well crafted strategy emanates clarity and purpose aligning our stakeholders' efforts towards harmony and coherence in pursuit of common goals.

THE OPERATING LANDSCAPE

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. Following are the critical factors that influenced the Bank's performance and strategy during the year.



POLITICAL AND ECONOMIC LANDSCAPE

GLOBAL CONTEXT

The global economy demonstrated remarkable resilience as it continued to recover from the scarring from the pandemic. The global economy continued to face headwinds in 2023, as geopolitical tensions in Eastern Europe and developments in the Middle East dominated. These factors had a direct impact on the world economy as inflation levels remained elevated resulting in an escalation of cost of living.

According to the World Economic Outlook, the global economic growth is projected to reach 3.1% in 2024. Asia will likely to be the fastest-growing region and will continue to drive global growth, expanding by 5.4%. Among the major economies, the United States is expected to witness a mild contraction of 0.2% in 2023, in the United Kingdom a contraction of 0.5%, while the Europe is likely to see an overall modest expansion of 0.4%.

Global headline inflation is expected to fall from 6.8% in 2023 to 5.2% in 2024. Price pressures are still elevated in many countries and any further escalation of geopolitical conflicts in the Middle East poses a threat to increase in inflation.

LOCAL CONTEXT

After facing an extremely challenging period in 2022, Sri Lanka has demonstrated resilience and stability, on many economic fronts, as a result of timely implementation of effective macroeconomic policies and structural reforms.

Domestic economic activity, which saw a contraction in the first quarter of 2023 has rebounded, supported by the easing of monetary conditions and growth supportive policies implemented by the GOSL, enabling the domestic economy to achieve sustainable levels of growth.

After reaching a peak of 73.7% headline (consumer) inflation in 2022, Sri Lanka is witnessing a gradual moderation of prices, with a reduction in aggregate demand, boosts in local supply-chain production, and a normalisation of global commodity prices, which has all led to the dis-inflationary process.
A stabilisation of domestic inflation is expected to enhance the purchasing power of economic agents and improve their debt repayment capacities.

As Sri Lanka recovers from a tough year, the Rupee in 2023 showed signs of gradual appreciation. This signals for judicious planning to steer the country towards sustained economic growth.

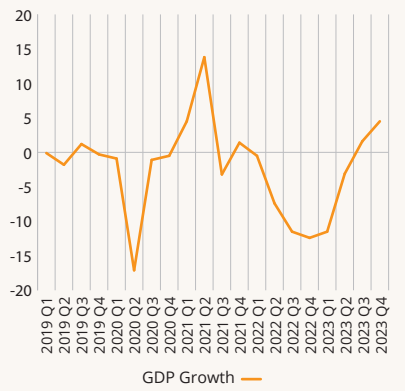
Sri Lanka's official reserves stood at USD 3.7 billion in November and exceeded USD 4.3 billion in December 2023 - the highest level since the country plunged into an economic crisis.

Sri Lanka's performance under the International Monetary Fund (IMF) programme was satisfactory, providing the country with access to Special Drawing Rights (SDR) in support of country's economic policies and reforms, leading to a restoration of debt sustainability, raising revenue, rebuilding reserves buffers, reducing inflation, and safeguarding financial stability.

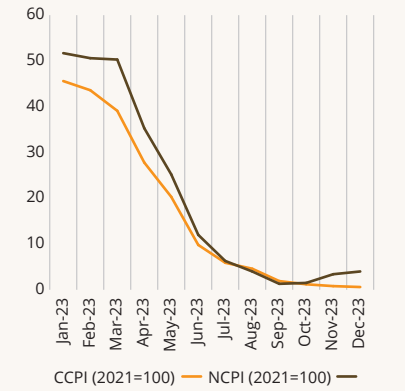


Receiving the first tranche and the anticipated second tranche of the IMF bailout package after meeting IMF conditions has signaled to the international community that Sri Lanka is on its path towards economic recovery, and can re-establish its economic heydays, as a trailblasing Asian nation.

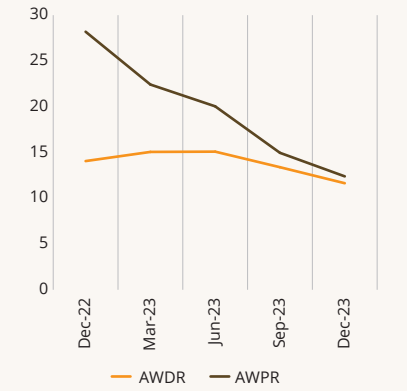
QUARTERLY REAL GDP GROWTH



INFLATION: Y-O-Y % CHANGE IN CCPI AND NCPI



LENDING AND DEPOSIT RATES



Source: Central Bank of Sri Lanka

BANKING INDUSTRY OUTLOOK

The banking sector remained resilient despite the contraction anticipated for 2023, which was less severe with the gradual easing of the monetary policy. Macro-economic policy reforms are bearing fruit, and the economy is showing tentative signs of stabilisation.

ASSET BASE

Total assets (LKR)

2023	20.4 trillion
2022	19.4 trillion

LENDING PORTFOLIO

Gross loans and advances (LKR)

2023	11.0 trillion
2022	11.3 trillion

THE OPERATING LANDSCAPE

FUNDING

Deposits (LKR)



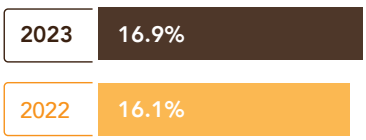
PROFITABILITY

Profit before tax (LKR)

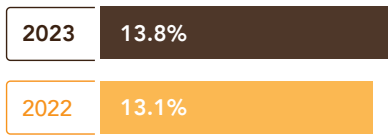


CAPITAL AND LIQUIDITY

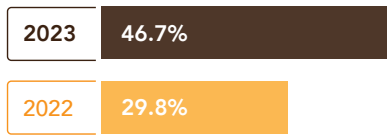
Capital Adequecy Ratio



Tier 1 Capital Ratio



Statutory Liquid Assets Ratio



Source: Central Bank of Sri Lanka

The recovery of the Sri Lankan economy in the short to medium term depends on the successful continuation of the policy reforms underpinned by the Extended Fund Facility (EFF) arrangement obtained from the International Monetary Fund (IMF). This requires credible actions to improve fiscal performance and strengthen external sector buffers, while ensuring price stability and financial system stability.

The gradual normalisation of market lending interest rates and improvements in investor and business confidence are expected to support the expansion of credit to the private sector going forward.

To ensure that banks are adequately capitalised, the CBSL is in a stringent process of evaluation to identify the adequacy of capital for future developments in banks. Furthermore, broad guidelines are expected to be issued by CBSL to strengthen the role of licensed banks in the sustainable revival of businesses, especially Small and Medium Enterprises (SMEs) and corporates, and to ensure the assets quality is maintained.

IMPACT TO BOC

- The IMF-led domestic debt optimisation strategy as well as the restructuring of State-Owned Enterprises (SOEs) could affect the banking sector balance sheet.
- The benchmark interest rates were lowered for the first time in three years, creating opportunity for the growth of the loan book.
- Insufficient funds in the inter-bank market hampering inter-bank borrowing.

RELATED RISKS R1 R2 R3 R4

RELATED MATERIAL THEMES M1

OUR RESPONSE

- Provided funds to major SOEs in energy and pharmaceutical sectors, considering the overall national interest.
- Timely support to customers facing pressure in repaying their loans.
- Strengthened our focus on preserving liquidity.
- Reliance on predictive forecasts to prioritise commitments and ensure facilitation of essential imports.

THE EVOLVING SOCIAL CONTEXT

Sluggish economic growth, high inflation, and tax hikes have led to greater pressure on livelihoods, income and socio-economic disparities. Vulnerable populations including the elderly, children, and persons with disabilities are particularly at risk of poverty and social exclusion, requiring targeted social assistance and support mechanisms.

Outward migration also continued to grow particularly among the younger demographic, resulting in drain of skilled personnel.

IMPACT TO BOC

- Increased credit risk due to reduced repayment capability of borrowers, resulting in adverse effects on portfolio quality.
- Migration of skilled workers and the brain drain has led to high staff-turnover, resulting in a lack of employees with specialised skills in the banking industry.
- The flow of remittances increased during 2023, due to improved exchange rates and expatriates sending more earnings, which has a positive impact on the Bank.

RELATED RISKS: R1 R4 R5 RELATED MATERIAL THEMES: M3 M4

OUR RESPONSE

- The Bank did not curtail any financial or non-financial benefits to employees and took steps to match the Cost-of-Living Allowance (COLA) in line with the rising inflation.
- Supporting customer priorities and the needs of the Nation and enhanced customer loyalty.

DIGITAL TRANSFORMATION

Digital transformation in Sri Lanka continued to gain momentum, driven by technological advancements, changing consumer behaviour, and Government initiatives to promote digitalisation across various sectors. The year witnessed the convergence of Artificial Intelligence, Robotics, Cloud Computing and Big Data - influencing the country's business and economic landscape.

A significant growth was also recorded in mobile and internet penetration rates, with a large percentage of the population accessing the internet via smartphones and mobile devices. Technology companies are increasingly innovating in areas such as digital banking, peer-to-peer lending, mobile payments, and remittances offering alternatives to traditional banking services, promoting financial inclusion and driving efficiency in financial transactions and services.

IMPACT TO BOC

- The digitalisation of financial services is transforming how banks operate. Hence, the Bank is in pursuit of improving its processes through automations and system enhancements.
- Alongside increased digitalisation the risk of cyber-attacks and fraud has also increased beckoning for tighter IT security infrastructure.

RELATED RISKS: R4 R5 RELATED MATERIAL THEMES: M1

OUR RESPONSE

- Improved digital penetration and digital literacy of the customer base.
- Leveraged technology for increased process efficiencies and cost savings.
- Strengthened IT security and governance protocols.

THE OPERATING LANDSCAPE

REGULATORY DEVELOPMENTS

The Bank operates in a highly regulated environment where new regulatory requirements were introduced frequently to safeguard the stability of the financial sector including;

- Restricting discretionary payments of Licensed Commercial Banks (LCBs),
- Margin requirements against imports and maximum interest rates on certain lending products,
- Requesting LCBs to reduce the interest rates of lending products.
- Limitation in borrowings.

IMPACT TO BOC

- Increased regulatory oversight and reporting.
- Increased cost of compliance.

RELATED RISKS: R1 R2 R3 R4 R5

RELATED MATERIAL THEMES: M2

OUR RESPONSE

- Adhered and complied with the Directions/ Guidelines issued by CBSL for LCBs and the circulars issued by Ministry of Finance.
- Complied with the standards and guidelines issued by professional bodies and relevant institutions.

CLIMATE ACTION

As a small island and a developing nation, Sri Lanka is highly vulnerable to the adverse effects of climate change and the consequences of climate change such as temperature rise, rainfall variability and sea level rise affect almost all economic sectors of the country.

Sri Lanka's Climate Prosperity Plan, which was launched at the U.N. Climate Change Conference in November 2022, aims to stimulate climate protection and promote risk-informed investment with a commitment to developing a strategy of accelerated adaptation of sectors most exposed to climate risks such as agriculture or fisheries, together with a comprehensive risk financing strategy.

IMPACT TO BOC

- As a Bank, we are under increasing pressure to address critical environmental issues facing the world today, and are required to place emphasis on sustainable lending, emissions reduction strategies and climate adaptation and mitigation.
- As customer awareness on environmental implications increases, there is greater expectation from multilateral and bilateral lenders for responsible lending decisions that include social and environmental considerations.

RELATED RISKS: R1 R4 R5

RELATED MATERIAL THEMES: M4

OUR RESPONSE

- Developed new banking solutions to address climate change related risks and support climate resilience.
- Incorporated more green concepts into our sustainability agenda.
- Continuously embedded social and environmental sustainability considerations into strategy and decision making.
- Aligned our actions with the 17 SDGs to promote prosperity and protect the planet.

STAKEHOLDER NEEDS AND EXPECTATIONS

APPROACH TO STAKEHOLDER ENGAGEMENT

In a diverse stakeholder landscape, we strive to keep our communication channels open, dialogues ongoing and relationships flourishing to create and deliver enhanced value to our stakeholders.

Our external stakeholder profile includes customers, community and environment, shareholder and fund providers, regulators and business partners that are reliant on us for value creation, while our internal stakeholders comprise of our employees at diverse levels in the hierarchy that are central to the organisation and determining factors in the process of value creation.

Stakeholder engagement is facilitated through numerous formal and informal platforms, and we tailor our engagement approach based on the unique needs of different stakeholders. The following section demonstrates our key stakeholder groups, how and why we engage with them, their key concerns as well as our responses.

STAKEHOLDER ENGAGEMENT PROCESS

STAGE 1 – Identification
- Identify and prioritise stakeholders
- Allocate resources

STAGE 2 – Planning and engaging
- Establish objectives
- Determine modes of engagement

STAGE 3 – Preparation and alignment
- Formulate and implement strategies to address stakeholder expectations

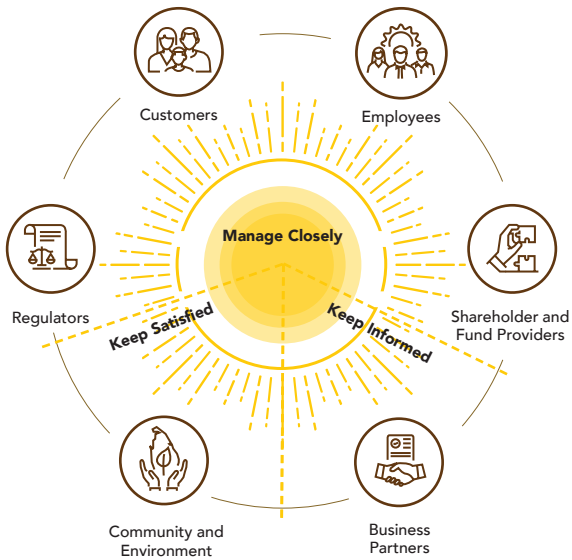
STAGE 4 – Monitoring, evaluating and reporting
- Measure effectiveness
- Monitor shortcomings
- Report to stakeholders
- Make improvements where required

STAKEHOLDER MAPPING

Customers
As a customer-centric bank, we support our customers and enrich their customer experience through digital banking services.

Regulators
Adherence to all relevant regulatory and statutory requirements maintaining a transparent and ongoing dialogue.

Community and Environment
Through our long term approach to sustainability we strive to create value for the communities we operate.



Employees
We value our team which is the vital link between the customer and the Bank. Our HR policies and processes help to build and nurture a future ready team.

Shareholder and Fund Providers
Through our comprehensive strategies we create shared stakeholder value and consistent returns.

Business Partners
We maintain a continuous and open dialogue with all suppliers and business partners to promote our sustainability practices.

High | High to Moderate

STAKEHOLDER NEEDS AND EXPECTATIONS

Shareholder and Fund Providers

Our sole shareholder is the Government and therefore, only external capital infusion is available from the Government.

Debt security holders who have invested in the Bank's Debentures have provided the debt.

WHY WE ENGAGE

Investors' attitudes are influenced by the Bank's prospects, and therefore transparency, easy access to information and open dialogue to understand and address concerns are vital.

KEY CONCERNS

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

OUR RESPONSE

- Creating value with adequate returns
- Focus on preserving Balance Sheet strength
- Effective margin management
- Ongoing focus on strengthening capital growth
- Market disclosures in a timely manner

ENGAGEMENT PLATFORMS

- BoC website — O
- Annual Report and other publications — A O
- Periodic meetings — P
- One-on-one meetings with large investors — P
- Engagement through market intermediaries — P

Quality of relationship — STRONG

SDG impact



Customers

Our customer segments include Retail, SME, Corporate and Cross Border foreign currency customers, to whom we offer a range of financial services and products.

WHY WE ENGAGE

We engage with customers to present a superior offering that reflects our operational and commercial excellence and ensure the profitability and sustainability of the Bank.

KEY CONCERNS

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

OUR RESPONSE

- Customer-centric solutions
- Focus on customer experience
- Enhance digital offerings
- Reduce transaction turnaround time through automations

ENGAGEMENT PLATFORMS

- Satisfaction surveys — P
- Direct engagement through branches and digital channels — O
- Website and social media platforms — O
- Customer hotline — O
- Financial literacy programmes — O
- Marketing, advertising and promotions — O

Quality of relationship — STRONG

SDG impact



A Annual | O Ongoing | P Periodic | BI Bi-annual | Q Quarterly

Employees

Our team is spread across the island as well as overseas, supporting the Bank's operations and ability to create value by delivering financial services to our customers.

WHY WE ENGAGE

Employees are one of the key asset in the Bank, and we encourage them to make valuable contributions in delivering our business strategy. We provide them with stable employment, fair remuneration, rewards and training to keep them motivated and satisfied.

KEY CONCERNS

- Competitive remuneration schemes
- Safe workplace
- Career progression
- Learning opportunities for skills development
- Equal opportunities
- Job security
- Post retirement benefits

OUR RESPONSE

- Measures to ensure physical and mental well-being
- Ongoing opportunities for training and skills development
- Attractive reward and compensation structures
- Aligning the remuneration with increase Cost of Living expenses (COLA)
- Retirement benefit plan
- Providing deferment for staff loans

ENGAGEMENT PLATFORMS

- Multi-level staff meetings — O
- Open door culture — O
- Grievance handling mechanism — O
- Virtual engagement through tvBOC — O
- Performance appraisals — BI
- Engagement through trade unions — O
- Year-round activity calendar — O

Quality of relationship — STRONG

SDG impact



Regulators

The Bank's key regulators include the Central Bank of Sri Lanka (CBSL), the Securities and Exchange Commission of Sri Lanka (SEC), and the Colombo Stock Exchange (CSE). The overseas branches are regulated through the Central Banks in the relevant country.

WHY WE ENGAGE

To ensure compliance with all legal and regulatory requirements and keep regulators informed in a timely manner.

KEY CONCERNS

- Supporting businesses and economic revival
- Maintaining confidence in financial sector
- Strong governance and risk management practices
- Facilitating financial inclusion

OUR RESPONSE

- Timely reporting and adequate discloures
- Compliance with all regulations/guidelines
- Adhering to mandatory lending requirements to vulnerable segments
- Ongoing support to critically affected sectors
- Maintain integrity and industry harmony

ENGAGEMENT PLATFORMS

- Regulatory reporting — O
- One-on-one meetings — O
- Discussions through industry fora — O
- Annual Report and other publications — A Q

Quality of relationship — STRONG

SDG impact



STAKEHOLDER NEEDS AND EXPECTATIONS

Community and Environment

The communities in which the Bank operates, the general public and the natural environment.

WHY WE ENGAGE

The community and environment are key components of our social license to operate. We engage openly to understand the Bank's impacts on the community and environment and how we can support economic, social and environmental sustainability.

KEY CONCERNS

- Contribution to community development projects
- Responsible business practices
- Financial inclusion and empowerment to drive the revival of the economy
- Alignment of the Bank's strategy to the national development agenda

OUR RESPONSE

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

ENGAGEMENT PLATFORMS

Annual Report and other publications	A O
BoC website	O
Industry fora and meetings	O
Engagement through branches	O
Investment in communities	O
Press releases and media campaigns	O

Quality of relationship: STRONG

SDG impact



Business Partners

Our extensive network of local and global suppliers, business partners.

WHY WE ENGAGE

We need to maintain strong and sustainable relationships with our business partners to secure timely acquisition of goods and services to support our operations.

KEY CONCERNS

- Transparent selection and competitive pricing
- Ease of transacting
- Timely payments
- Secure and predictable demand

OUR RESPONSE

- Transparent selection and competitive bidding process
- No payment defaults
- Automation of procurement process

ENGAGEMENT PLATFORMS

Ongoing written communication	O
Regular meetings	P
Periodic bidding process	P
Publications on Financial Statements and Annual Reports	Q A

Quality of relationship: STRONG

SDG impact



A Annual | O Ongoing | P Periodic | BI Bi-annual | Q Quarterly

MATERIAL MATTERS

In line with the principle of double materiality, our Integrated Report extends beyond financial reporting and includes non-financial performance, risk and opportunities and outcomes attributable to or associated with our key stakeholders, which have a significant influence on our ability to create and preserve value, while minimising value erosion.

Our materiality determination process is carried out on an annual basis, to review and evaluate issues that are of material importance to the Bank. These issues include events occurred in the Bank's operating landscape during the year under review, which could significantly affect our ability to achieve our strategic ambitions and to create value over the short, medium and long term.
We follow a structured process to identify material topics that influence the Bank's strategy and operations as outlined below.

OUR MATERIALITY DETERMINATION PROCESS

IDENTIFY

The Operating Landscape → Stakeholder Needs and Expectations → Risks and Opportunities

ASSESS

We assess the relative importance in terms of the impact on the Bank's strategy and influence on stakeholder decisions

PRIORITISE

Material issues are ranked based on their likelihood and impact

MONITOR AND REPORT

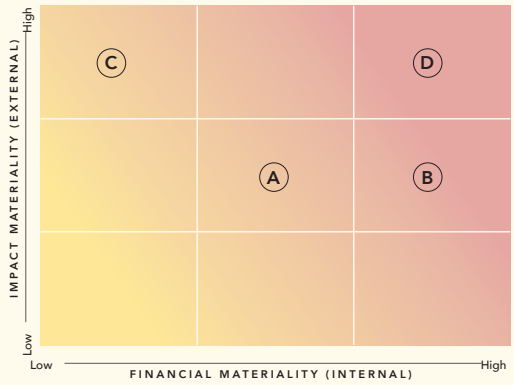
We continuously monitor the identified material topics taking account of changes in the operating environment and respond by re-aligning the Bank's strategy. Topic progress is reported to stakeholders and the Board of Directors on a regular basis.

OUR MATERIALITY THEMES

The materiality assessment for 2023 was built on the material topics identified during the previous year and this year, we grouped these topics under four broader themes. The topics were reviewed in line with changes in operations and there were no significant changes to the reporting boundaries. Further, there was no change in materiality for the material matters concerned.

- **M1** Adapting to the evolving context
- **M2** Enabling responsible growth
- **M3** Caring for our people
- **M4** Nurturing a sustainable business operation

MATERIAL MATTERS



A

M2 - 6	Responsible banking
M4 - 3	Climate change and environmental footprint

B

M2 - 3	Responsible procurement

C

M3 - 3	Diversity and equal opportunity

D

M1 - 1	Macroeconomic developments and policy trends
M1 - 2	Customer experience
M1 - 3	Customer privacy and data security
M1 - 4	Digitalisation and technology
M2 - 1	Customer support and business revival
M2 - 2	Brand reputation
M2 - 4	Anti-bribery and anti-corruption
M2 - 5	Regulatory environment, governance, and compliance
M3 - 1	Employee health, safety and wellbeing
M3 - 2	Talent management and labour relations
M3 - 4	Labour rights (outsourced/contract)
M4 - 1	Financial performance
M4 - 2	Socio-economic contribution and financial inclusion

Material topics	Why it is material to BoC	Our response	Capitals impacted	Stakeholders impacted	Contribution to UN SDGs
M1 : Adapting to the evolving context					
1 Macroeconomic developments and policy trends	Multifaceted challenges affecting Sri Lankan economy and related policy developments have a direct impact on the financial sector operations, performance and sustainability.	The operating landscape Pages 44 to 48.	Financial Capital; Manufactured Capital	Shareholder and Fund Providers; Employees; Customers	
2 Customer experience	The key differentiator in the intensely competitive banking sector of Sri Lanka.	A primary partner for our customers Pages 84 to 89.	Social and Relationship Capital	Customers	
3 Customer privacy and data security (GRI 418 SASB FN-CB-230a.2)	Increased thrust towards digitalisation has heightened vulnerability to customer privacy and security issues, thereby requiring organisations to strengthen IT security frameworks.	A digitally empowered Bank Pages 98 to 102.	Social and Relationship Capital	Customers	
4 Digitalisation and technology	Driving digital excellence is a key strategic aspiration for the Bank.	A Digitally Empowered Bank Pages 98 to 102.	Manufactured Capital	Customers; Employees	

	Material topics	Why it is material to BoC	Our response	Capitals impacted	Stakeholders impacted	Contribution to UN SDGs
M2 : Enabling responsible growth						
1	Customer support and business revival (SASB FN-CB-240a.1 SASB FN-CB-240a.2)	We continue to lead the country's economic recovery by supporting business revival through rescheduling/ restructuring facilities, cash flow monitoring and providing access to finance.	A primary partner for our customers Pages 84 to 89.	Social and Relationship Capital	Customers	
2	Brand reputation	Consistently ranked as Sri Lanka's No.1 banking brand, and Positive brand and reputation help to attract and retain customers and other stakeholders.	A primary partner for our customers Pages 84 to 89.	Financial Capital, Human Capital, Intellectual Capital	Shareholder and Fund Providers, Employees, Customers	
3	Responsible procurement (GRI 204)	BoC engages with a large base of suppliers and ensures responsible practices in procurement through propagation of sustainable practices.	A beacon of trust in everything we do Pages 103 to 109.	Social and Relationship Capital, Natural Capital	Business Partners	
4	Anti-bribery and anti-corruption (GRI 205, 406 SASB FN-CB-510a.2)	As a state-owned entity, nurturing a culture of anti-bribery and anti-corruption is vital in the responsible creation of shared value.	A winning, talented and diverse team Pages 90 to 97.	Human Capital, Social and Relationship Capital	Customers, Business Partners, Employees	
5	Regulatory environment, governance and compliance (GRI 207, 419, 307)	It is imperative to ensure compliance on current and emerging regulations as failure to do so leads to litigation, regulatory and reputational risks.	Corporate governance Pages 111 to 121 Risk and opportunities Pages 132 to 148.	Social and Relationship Capital	Shareholder and Fund Providers, Regulators, Employees	
6	Responsible banking	Responsible lending practices underpin BoC's ability to drive impactful socio-economic change.	Performance of business segments Pages 73 to 82.	Financial Capital, Social and Relationship Capital, Human Capital, Natural Capital	Shareholder and Fund Providers, Customers, Employees, Community and Environment	

MATERIAL MATTERS

Material topics	Why it is material to BoC	Our response	Capitals impacted	Stakeholders impacted	Contribution to UN SDGs
M3 : Caring for our people					
1 Employee health, safety and wellbeing (GRI 403)	Promoting employee health, safety, and well-being enhances employee productivity and minimises absenteeism, employee turnover and hiring costs.	A winning, talented and diverse team Pages 90 to 97.	Human Capital	Employees	3, 5, 8, 9
2 Talent management and labour relations (GRI 401, 402, 404, 407)	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.	A winning, talented and diverse team Pages 90 to 97.	Human Capital	Employees	
3 Diversity and equal opportunity (GRI 405)	Prioritising diversity creates a positive work environment that supports the overall goals of the Bank and contributes to its long-term success.	A winning, talented and diverse team Pages 90 to 97.	Human Capital	Employees	
4 Labour rights (outsourced/ contract) (GRI 408, 409)	BoC is committed to provide a safe and conducive work environment for all outsourced and contract employees engaged by the Bank in addition to the permanent cadre.	A winning, talented and diverse team Pages 90 to 97.	Human Capital	Employees	
M4 : Nurturing a sustainable business operation					
1 Financial performance (GRI 201)	Critical in ensuring commercial sustainability and continued value generation to stakeholders.	Financial review Pages 68 to 72.	Financial Capital	Shareholder and Fund Providers, Employees	7, 8, 10, 11, 12, 13
2 Socio-economic contribution and financial inclusion (GRI 201, 202, 413, 203 SASB N-CB-240a.3 SASB FN-CB-240a.4)	Promoting socio-economic empowerment and financial inclusion open access to new markets, generates new revenue streams, improves reputation and also contributes to economic development.	A beacon of trust in everything we do Pages 103 to 109. Embedding sustainability Pages 61 to 63.	Social and Relationship Capital	Employees, Customers, Community and Environment	
3 Climate change and environmental footprint (GRI 302, 305 SASB FN-CB-410a.2)	Minimising the environmental impact can help to meet regulatory requirements, enhance reputation, reduce costs, increase revenue and create new business opportunities.	A beacon of trust in everything we do Pages 103 to 109.	Natural Capital	Community and Environment	

STRATEGY AND RESOURCE ALLOCATION

In a landscape defined by economic dynamism and technological evolution, BoC stands at the forefront, poised to redefine the future of banking. Our strategy is not just a roadmap; it's a commitment to innovation, customer centricity, and sustainable growth. This section outlines the key pillars of our strategic framework and the actionable steps we are taking to drive growth and prosperity for all citizens.



Leveraging our strengths

- Extensive branch network spread across the country and large correspondent banking network with wide coverage.
- Leading Banking brand in the country
- Market Leadership

Addressing our weaknesses

- Attracting new generation
- Risk of Stage 3 loans exposures.
- Legacy systems and challenges in integration.

Identifying opportunities

- Increase in digital adoption
- Tendency for green financing
- Credit demand in line with the boom in economic activities

Safeguarding against threats

- Competition from peers and fintech companies
- Cyber security threat
- Implications of climate changes
- Brain drain

Intended outcomes:

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 expectations, 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

Stability, Governance and Sustainable Growth

Related material themes: M2 M4

Related SDGs: 8 DECENT WORK AND ECONOMIC GROWTH; 11 SUSTAINABLE CITIES AND COMMUNITIES; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

WHY IT MATTERS

Prioritising stability, governance and sustainable growth builds the trust and loyalty of our stakeholders, ensures ethical operations, and secures a lasting impact on the community and the environment.

RESOURCE ALLOCATION

- USD 3.0 billion allocated to finance essential imports (fuel and gas)
- LKR 129.7 million investment in community engagement
- 52 solar-powered branches as of end 2023
- 1,126 officers trained for ESMS screening

CAPITAL TRADE-OFFS

- Allocation of capitals to mainstream sustainable growth and align with the CBSL's Sustainable Financing roadmap has in turn led to improved brand presence and equity; a better-equipped workforce; improved relationships with business partners, regulators, and communities and a positive environmental impact.

Capital impacted: Financial Capital (+/-), Manufactured Capital (+), Human Capital (+), Intellectual Capital (+), Social and Relationship Capital (+), Natural Capital (+)

2023 OUTCOMES

Economic value created	LKR 144.1 billion
Carbon footprint reduction	28%
Renewable energy generated	3,245.3 MWh
Scholarships to Nanajaya beneficiaries	2,872
Hapana Grade 5 scholarships for Ran Kekulu account holders	12,459

2024 FOCUS

- Sustain the market leadership
- Accelerate the operations of overseas branches
- Enhance sustainability engagements

Excellence in Customer Experience

Related material themes: M1 M2 M4

Related SDGs: 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 10 REDUCED INEQUALITIES; 11 SUSTAINABLE CITIES AND COMMUNITIES

WHY IT MATTERS

Our customers are at the core of everything we do. Thus, we are committed to understand their evolving needs and preferences to deliver personalised solutions that, cater to their financial goals.

RESOURCE ALLOCATION

- LKR 3.2 billion investment in property, plant and equipment
- 42 branches refurbished
- 35 training programmes conducted on customer service
- 1,210 customer awareness programmes conducted
- Various concession to customers in terms of rescheduling and restructuring

CAPITAL TRADE-OFFS

- Financial capital was impacted due to deferment of payments, interest rate reductions etc.
- These actions helped retain our customers and strengthened our brand image.
- Improvements to the customer contact points strengthened our footprint across the island.

Capital impacted: Financial Capital (-), Manufactured Capital (+), Social and Relationship Capital (+), Intellectual Capital (+)

2023 OUTCOMES

Net Promoter Score (NPS)	33%
Customer Satisfaction Score (CSAT)	79%
New customers acquired	1,045,000
Customer penetration	73%
Customer touchpoints	2,241

2024 FOCUS

- Improve the turnaround time
- Introduce products that appeal to the younger generation

Digital Excellence

Related material themes: M1

Related SDGs: 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES

WHY IT MATTERS

In an era where convenience is paramount, we believe in leveraging cutting-edge technology to enhance customer experience, streamline operations, and introduce innovative financial products and services.

RESOURCE ALLOCATION

- LKR 1.4 billion investment in digital infrastructure
- 163 CRMs installed
- 1,026 new POS machines
- 156 new IPG merchants

CAPITAL TRADE-OFFS

- Investments were made to further strengthen the Bank's digital infrastructure including cybersecurity.
- These investments generate cost savings, improve revenue streams, enhance customer experience and unlock process efficiencies.

Capital impacted: Financial Capital (-), Manufactured Capital (+), Human Capital (+), Intellectual Capital (+), Social and Relationship Capital (+)

2023 OUTCOMES

Growth in digital transactions volume	8%
Customers onboarded to virtual platforms	778,427
Digitally enabled customers	34%
Virtually enabled customers	19%

2024 FOCUS

- Process streamlining
- Data driven culture
- Enhance digital adoption in rural areas

Rewarding Credit Culture and Healthy Credit Portfolio

Related material themes: M2

Related SDGs: 8 DECENT WORK AND ECONOMIC GROWTH

WHY IT MATTERS

A healthy credit portfolio is synonymous with financial stability. It reflects the quality of assets and the Bank's ability to manage credit risk effectively.

RESOURCE ALLOCATION

- LKR 3.4 billion credit concessions granted
- 58 training programmes conducted
- LKR 38.8 billion of customer cash flow managed by BRRU
- 21 recovery workshops conducted
- 174 customers were supported under BRRU

CAPITAL TRADE-OFFS

The Bank prioritised the revival and rehabilitation of businesses, as part of its customer-centric approach by allocating both financial capital and human capital.

Capital impacted: Financial Capital (+/-), Human Capital (+), Social and Relationship Capital (+)

2023 OUTCOMES

Loan book value	LKR 2.5 trillion
Stage 3 ratio	5.1%
Number of customers revived	174

2024 FOCUS

- Reduce Stage 3 loans and advances
- Increasing private sector lending
- More focus for green lending

STRATEGY AND RESOURCE ALLOCATION

Building a High-Performing Team

Related material themes: M3

Related SDGs: 3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES

WHY IT MATTERS

We believe our people-centred corporate culture differentiates us in the market. We are focused on embracing diversity and improving equality and inclusion in our workforce as this drives diversity of thought, innovation and creativity needed in the future place of work.

RESOURCE ALLOCATION

- LKR 29.8 billion invested in remuneration and benefits
- LKR 200.1 million invested in training and development
- LKR 183.4 million invested in staff safety and well-being

CAPITAL TRADE-OFFS

- Among other benefits, financial capital was allocated to adjust remuneration in line with the rising cost of living and loans and advances at concessionary rates. Such investments have enabled us to enhance employee loyalty, greater customer service/experience, and results in greater productivity and efficiency.

Capital impacted: Financial Capital (+ / -), Human Capital (+), Intellectual Capital (+), Social and Relationship Capital (+)

2023 OUTCOMES

Retention rate	95%
Average training hours per employee	32 hours
Net profit per employee	LKR 3.1 million
Female representation	60%

2024 FOCUS

- Improve productivity
- Human Resources of the Bank ready for the virtual environment
- Increase employee well-being

SUPPORTING FINANCIAL SERVICES

As one of the leading banks in the country, BoC actively collaborates with industry stakeholders through its membership in industry associations and professional bodies. The Bank's membership in these institutes contributes to the development of industries, the financial services sector and the Sri Lankan economy. The Bank's membership in these associations is an opportunity to harness strength and partnership for the mutual benefit of the industry.

During the year under review, the Bank retained the membership of the institutions including;

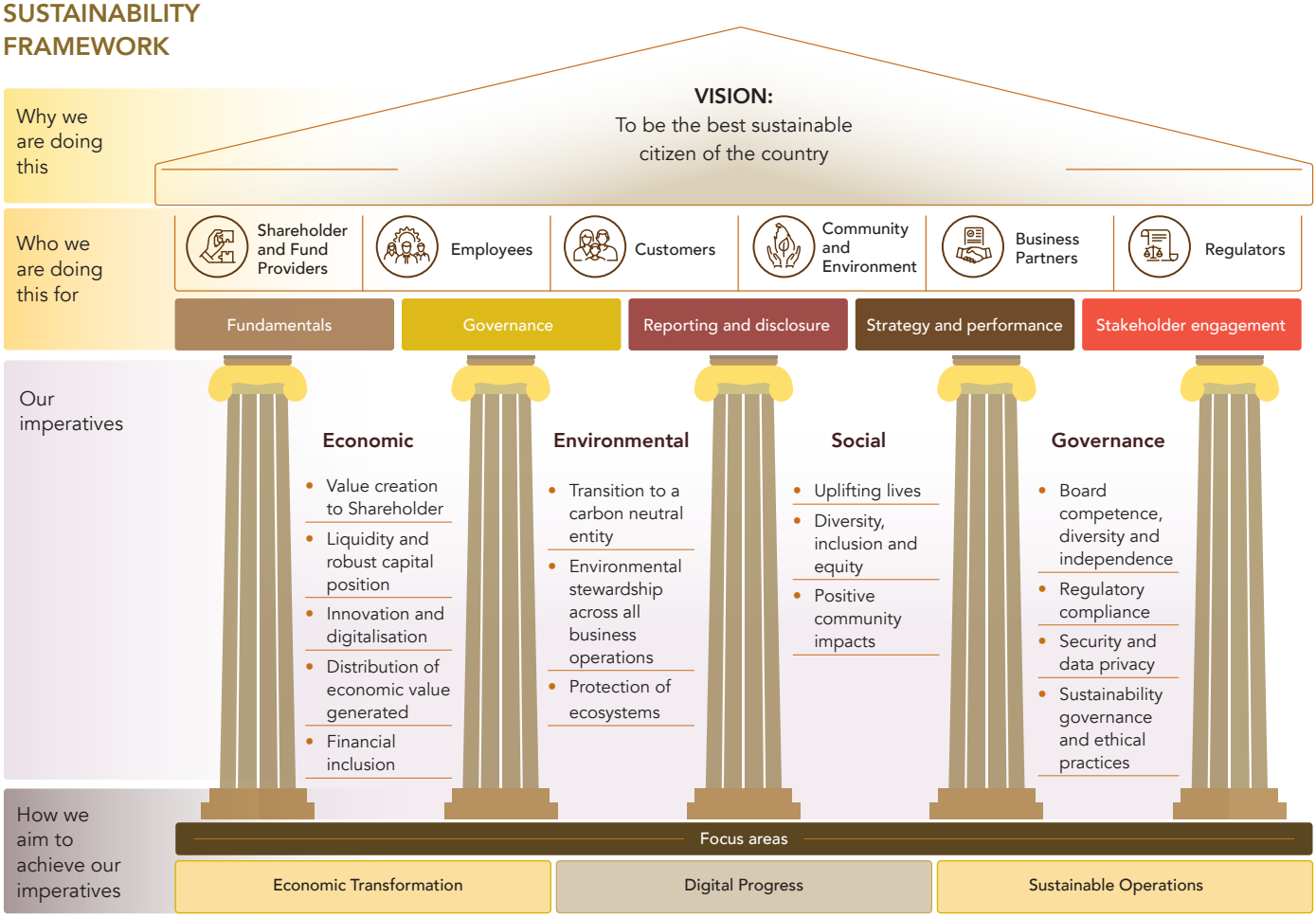
- Asia Pacific Rural and Agricultural Credit Association (APRACA)
- Sri Lanka Banks' Association (Guarantee) Limited
- National Chamber of Commerce, Sri Lanka
- Ceylon Chamber of Commerce
- Green Building Council of Sri Lanka
- Biodiversity Sri Lanka
- The Financial Ombudsman of Sri Lanka (Guarantee) Limited
- Association of Compliance Officers of Banks, Sri Lanka
- Sri Lanka Law Library
- Association of Banking Sector Risk Professionals, Sri Lanka

EMBEDDING SUSTAINABILITY

Sustainability at BoC is integrated into the Bank's strategy through our commitment to drive economic, environmental, social and governance imperatives via the three pillars of Economic Transformation, Digital Progress, and Sustainable Operations. As stakeholders place increasing importance on Environmental, Social and Governance (ESG) issues and regulations continue to strengthen, BoC has sought to embed ESG considerations as an organisation-wide discipline, underpinned by a holistic Sustainability Policy that sets out the Bank's sustainability objectives, governance structures and reporting mechanisms.

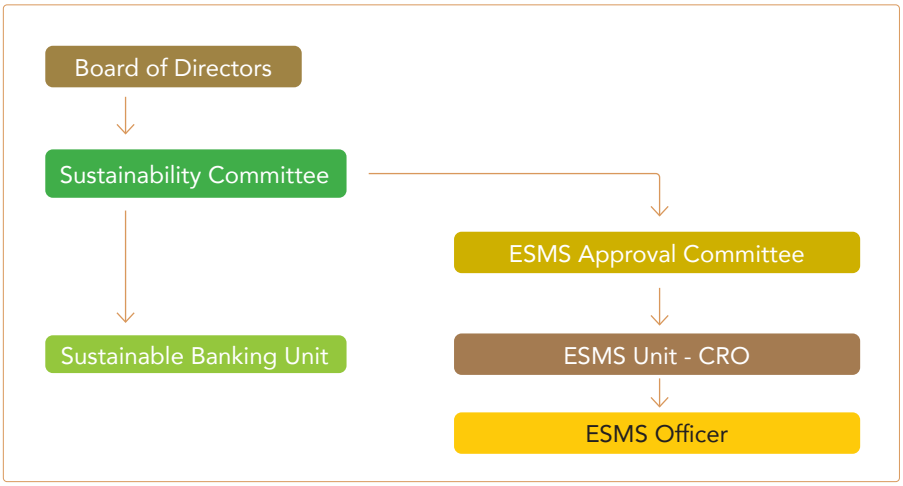
As the state bank with the widest reach across the island, our ambition is to be the market leader in sustainable financing, driving financial inclusion and making sure all segments of the community have access to finance. While we pursue the above aspiration, we are also taking conscious steps to transit to a carbon neutral entity by integrating sustainability into every aspect of our operations. During the year, BoC remained steadfast in its commitment towards aligning its impact on the United Nation's Sustainable Development Goals (UN SDGs) and taking holistic action towards addressing global challenges.

SUSTAINABILITY FRAMEWORK



EMBEDDING SUSTAINABILITY

SUSTAINABILITY GOVERNANCE



Please get more details from https://www.boc.lk/sustainability-framework

CAPACITY BUILDING

Bank of Ceylon continued 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 2023 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.

BoC is the first commercial Bank to appoint ESG consultant for a holistic ESG revitalisation of the Bank in ESG strategy, ESG Risk Management and ESG Reporting.

STRATEGIC PARTNERSHIPS

BoC has collaborated with several universities, environment organisations and merchants, bringing together different perspectives, expertise, and resources needed to address complex challenges and ensure that ESG initiatives are aligned with stakeholder expectations.

- Marine Environment Protection Authority (MEPA)
- Biodiversity Sri Lanka (BSL)
- The Open University of Sri Lanka

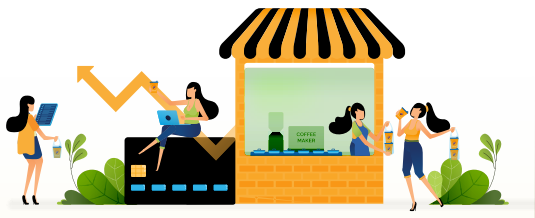
SUSTAINABILITY REPORTING

The Bank uses its Annual Integrated Report and corporate website as the primary means of responding to stakeholder concerns and outlining its sustainability strategy, including materiality assessments and management policies and processes. The data measurement techniques, calculation methodologies, assumptions and estimations applied in the compilation of the sustainability indicators contained in this Report, are in accordance with international reporting frameworks and best practices and the GRI Standard and includes external assurance of ESG/Sustainability information.

The ensuing section provides details of the Bank's commitment to advancing sustainability across its operations, products and services in alignment with the UN SDGs and other globally recognised green banking principles.

Economic Transformation

Support customers/businesses to become resilient and empowered through sustainable financing.



Our commitment	KPIs	SDGs
Total Green Finances disbursed in 2023	Amount disbursed in 2023 LKR 530.9 million Balance as at 31.12.2023 LKR 5,028.6 million	13
Microfinancing granted for women led businesses	30% of credit granted for women led businesses (31% 2022)	5, 10



Digital Progress

Increase accessibility to our products and services, while maintaining the highest security and privacy standards.

Our commitment	KPIs	SDGs
Investment in digital infrastructure	LKR 1.4 billion (2022: LKR 1.8 billion)	
No of data breaches Digital Transaction vs Counter Transaction	Nil (2022 : Nil)	



Sustainable Operations

Invest in the capabilities, wellbeing and diversity of our people, reduce our impact on the natural environment and operate a responsible and ethical business and supply chain.

Our commitment	KPIs	SDGs
Payment for Local Suppliers	LKR 8.6 billion of payment disbursed for local suppliers	
Investment in Community Development	LKR 129.7 million (2022: LKR 60.1 million)	
Investment in BoC Gammana projects	LKR 5.4 million (2022: LKR 2.5 million)	
Funding for BoC Mithuru Micro credit group	LKR 77.9 million (2022: LKR 59.4 million)	

WAY FORWARD

As we look to the future, we expect to revamp our policies and update our Sustainability Framework to provide greater transparency and accountability. Our sustainability agenda will be given more prominence, with greater measures being taken to deeply embed our commitment within the BoC DNA.

Our leadership will adopt a meticulous approach in executing the approved initiatives and milestones specified in the sustainability agenda. Once the fundamentals are in place, they will focus on rolling out the sustainability programmes in the most efficient manner to achieve and sustain the set targets.

While our Sustainability Roadmap is being developed, we are mindful that there will be a host of external challenges which need to be considered. In order to navigate through the complexities of the marketplace, we will ensure that our internal structure and capabilities across the organisation are adequately resourced and well-primed. This will help us to address all risks and opportunities that may come our way in a timely and effective manner.

Moving forward, sustainability will continue to serve as a core element of our overall business strategy, informing decision-making processes, investment priorities, and resource allocation. We intend to make the best use of our existing sustainability initiatives and practices while remaining open and flexible to adopt new ones and remain confident of reinforcing BoC's position as a model for responsible corporate behaviour.

OUR BUSINESS MODEL

INPUTS

Financial Capital

Shareholder's funds
LKR **251.7** billion

Deposits
LKR **3.9** trillion

Borrowings
LKR **176.9** billion

Manufactured Capital

Customer touchpoints
No. **2,241**

Investment in fixed assets
LKR **2.3** billion

Human Capital

Employees
No. **8,579**

Investment in training and development
LKR **200.1** million

Intellectual Capital

Investment in brand development
LKR **1,082.6** million

Average length of service
Years **11**

Investment in digital infrastructure
LKR **1.4** billion

Social and Relationship Capital

Loyal and demographically dispersed customer base
16.0 million

Correspondent banking relationships
763

Registered suppliers and service providers
536

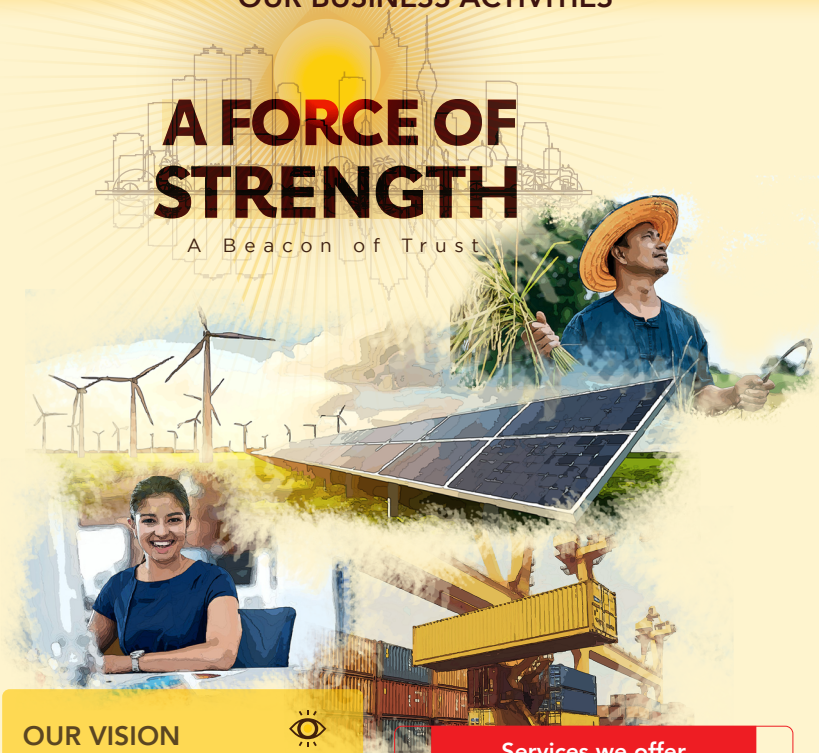
Natural Capital

Energy consumption
22,726.0 MWh

Water consumption
325,613.0 m^3

Land area utilised by the Bank
47 acres

OUR BUSINESS ACTIVITIES



OUR VISION

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

Our core banking activities

- **Retail Banking**
- **Corporate and Offshore Banking**
- **International, Treasury, Investment and Overseas Operations**

Services we offer

- 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

Underpinned by

Strategic Pillars

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

Our business activities are geared towards providing our customers better financial well-being, embracing more sustainable practices and generating meaningful value for our stakeholders in the short, medium and long term.

OUTPUTS

Access to capital

Gross loans and advances portfolio
LKR 2.5 trillion
(2022 - LKR 2.6 trillion)

Sound investment thesis

Fund management portfolio
LKR 1.7 trillion
(2022 - LKR 1.6 trillion)

Interest income from investments
LKR 189.7 billion
(2022 - LKR 146.0 billion)

Access to financial services

Transactions processed
LKR 613.5 million
(2022 - LKR 620.5 million)

Branches refurbished/added
42 (2022 - 61)

Employee benefits, training, and development

Staff salaries, wages, and incentives
LKR 29.8 billion
(2022 - LKR 29.0 billion)

Average man-hours of training delivered per employee
32 (2022 - 16)

Digital banking

Transactions through Digital Channels **43%** (2022 - 48%)

Resource allocation and capital trade-offs

Sound corporate governance and risk management

OUTCOMES

Financial Capital

Earnings per share
LKR **1,068**

Profit generated (Profit before tax)
LKR **40.3** billion

Balance sheet strength
LKR **4.4** trillion

Manufactured Capital

Value to the Government
LKR **25.9** billion

Fixed assets value
LKR **42.6** billion

Human Capital

Staff promotion
946

New recruitments
764

Retention ratio
95 %

Overall gender ratio
(F:M) **60:40**

Intellectual Capital

Brand value
LKR **50.2** billion

Awards and accolates received
18

Processes automated
28

Digitally-enabled customers
34%

Digital transactions growth
16%

Social and Relationship Capital

NPS ratio
33%

Customer satisfaction score
79%

Financing disbursed after ESMS compliance
LKR **1.1** billion

Natural Capital

New facilities under green financing
LKR **530.9** million

Solar power generated
3,245.3 MWh

Decrease in carbon footprint
28%

CONTRIBUTION TO SDGs









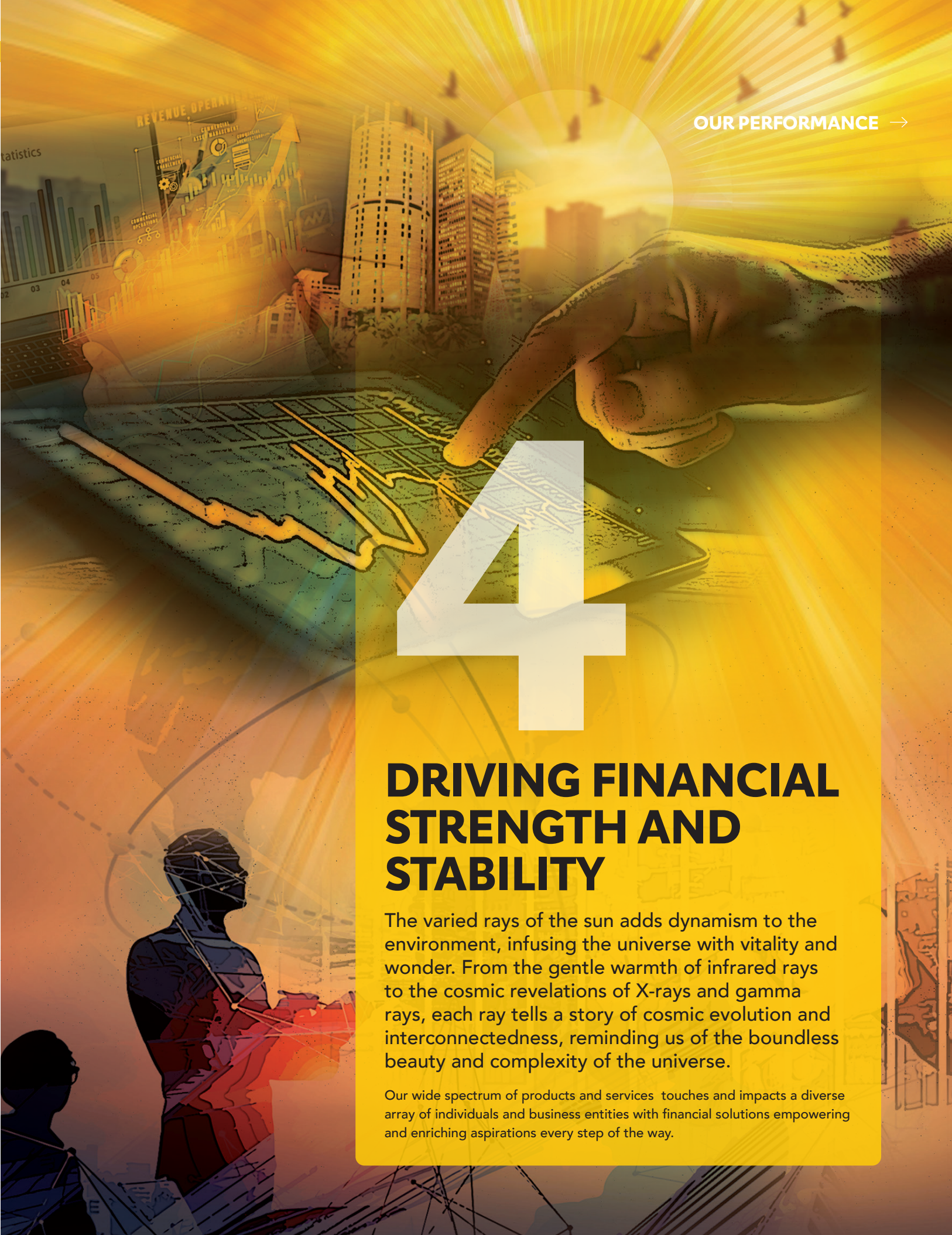




VALUE ADDED STATEMENT

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

	2023	2022	Change
	LKR million	LKR million	%
Value Creation			
Income earned by providing banking services	545,800	494,578	10
Cost of Services	(403,034)	(252,715)	59
Value added by banking services	142,766	241,863	(41)
Non-banking income	(3,613)	18,571	(119)
Impairment charges for loans and other losses	4,906	(87,156)	(106)
	144,059	**173,278**	**(17)**
Value Allocation			
To Employees			
Salaries, Wages and Other Benefits	**29,818**	**28,991**	**3**
To Government			
Dividends paid to the Government of Sri Lanka	173	346	(50)
Income Tax	13,111	13,550	(3)
Surcharge tax	-	6,739	(100)
Taxes on financial services	12,664	11,313	12
	25,948	**31,948**	**(19)**
To Community			
Social responsibility projects	**130**	**60**	**117**
To Providers of External Funds			
Interest on other borrowings	45,200	89,293	(49)
Interest on debt issued	12,052	8,358	44
	57,252	**97,651**	**(41)**
To Expansion and Growth			
Retained Profit	26,520	31,626	(16)
Surcharge Tax	-	(6,739)	(100)
Depreciation and amortisation	3,853	4,287	(10)
Deferred Taxation	538	(14,546)	(104)
	30,911	**14,628**	**111**
	144,059	**173,278**	**(17)**



4

DRIVING FINANCIAL STRENGTH AND STABILITY

The varied rays of the sun adds dynamism to the environment, infusing the universe with vitality and wonder. From the gentle warmth of infrared rays to the cosmic revelations of X-rays and gamma rays, each ray tells a story of cosmic evolution and interconnectedness, reminding us of the boundless beauty and complexity of the universe.

Our wide spectrum of products and services touches and impacts a diverse array of individuals and business entities with financial solutions empowering and enriching aspirations every step of the way.

FINANCIAL REVIEW



Despite the challenging market conditions, BoC took stringent action to ensure the stability of the Bank was maintained, while minimising negative impacts on its stakeholders. As 'Bankers to the Nation' we put in a major effort to revive and stabilise the economy through careful allocation of our financial capital and disciplined execution of our strategies. Standing tall under challenging macroeconomic conditions, the Bank emerged as a force of strength, consistently delivering positive financial results, and ending the year with a profit before tax of LKR 40.3 billion.

VALUE FOR SHAREHOLDERS

10.6% ▼
(2022: 14.1%)
Return on equity

STRATEGIC PERFORMANCE

LKR 542.2 billion ▲
(2022 : LKR 513.1 billion)
Revenue

LKR 40.3 billion ▲
(2022 : LKR 31.0 billion)
Profit before tax

30%
(2022 : - 28%)
Profit before tax growth

DEPOSITS AND LOANS

LKR 3.9 trillion ▲
(2022 : LKR 3.3 trillion)
Deposits

LKR 2.5 trillion ▼
(2022 : LKR 2.6 trillion)
Gross loans and advances

CAPITAL AND LIQUIDITY

12.8% ▲
(2022 : 12.4%)
Tier 1 Capital ratio

316% ▲
(2022 : 169%)
Liquidity coverage ratio

RISK PROFILE

5.1% ▲
(2022 : 5.3%)
Stage 3 loans ratio

60.4% ▲
(2022 : 59.7%)
Provision coverage Stage 3

- Having faced two volatile and difficult years in 2021 and 2022, the Sri Lankan banking sector witnessed signs of improvement towards the latter part of 2023 as a result of the economic reform programmes implemented by the Government and CBSL.
- Amidst economic fluctuations and changing market conditions, the sector went through a transformative phase, showcasing adaptability and fortitude.
- A gradual increase in credit was witnessed towards the end of 2023 with the easing of policy rates by the CBSL along with a stabilisation of credit risk as indicated by the slowdown in the growth of Stage 3 loans.

CONTEXT FOR 2023

STRATEGIC PILLAR

PRIORITY AREAS

STABILITY, GOVERNANCE AND SUSTAINABLE GROWTH

- Delivering a sound financial performance
- Strengthening the Financial Position
- Shareholder value creation

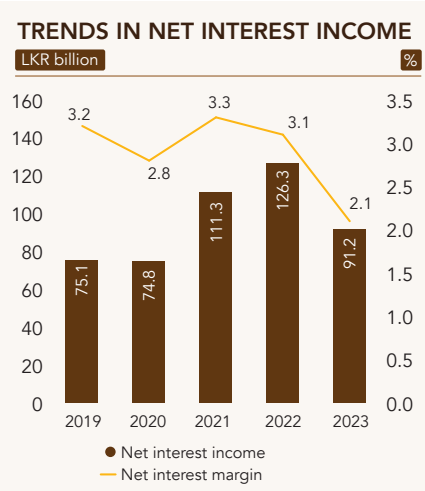
PRIORITY AREA 01:

DELIVERING A SOUND FINANCIAL PERFORMANCE

Net Interest Income (NII)

Interest income which accounts for 97% of the total income of the Bank marked a growth of 15%, recording LKR 524.8 billion for the year under review.

Interest income from loans and advances accounted for 64% of the total interest income of the Bank marking an 8% growth during the year. Low demand for the credit experienced during first half of the year negatively impacted interest income from loans and advances, which is further demonstrated by the drop in the credit to deposit ratio from 78% as of end 2022 to 63% as of end 2023.



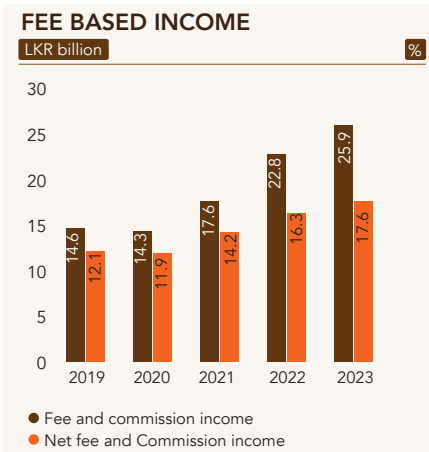
Interest income from investments increased by 30% YoY as the Bank's excess liquidity was invested in interest earning investment assets.

Interest expenses grew by 31% to LKR 433.6 billion during the year under review. Interest expenses for deposits which comprised of 87% of the total interest expenses grew by 63% YoY. However, as the Bank Strategically, managed the funding cost the borrowing cost of the Bank reduced by 43% to LKR 56.1 billion (2022: LKR 98.1 billion).

The growth in interest expense outpaced the growth in interest income, resulting in a net interest income of LKR 91.2 billion denoting a dip of 28% compared to the previous year. This contraction occurred mainly due to the lag effect of repricing fixed deposits mobilised at higher interest rates. Intense efforts were taken to safeguard customers from the adverse impact of the rate hikes. The Bank ensured that loans with variable interest rates were not fully adjusted in line with the increase in market rates and similarly loans with fixed interest rates not adjusted upwards as well. The Bank extended the benefits of interest rate rationalisation to customers, contributing to significant savings for businesses and households that were facing challenging conditions stemming from the economic crisis.

Fee Based Income gains/losses

Net fee and commission income experienced a growth of 8%, recording LKR 17.7 billion as at year end. This is primarily due to increased activity in card transactions and greater adoption of digital banking services in retail banking.



In 2023, the credit card portfolio increased by LKR 2.1 billion accumulating to LKR 9.6 billion. Accordingly, credit and debit card fee income increased by LKR 2.8 billion resulting in an accumulated total fee income from cards of LKR 11.6 billion during the year. Representing 45% of the total fee income, this growth reflects the Bank's continued drive for greater digitalisation.

Other Non Fund Based Income

Other non-fund based income were generated through;

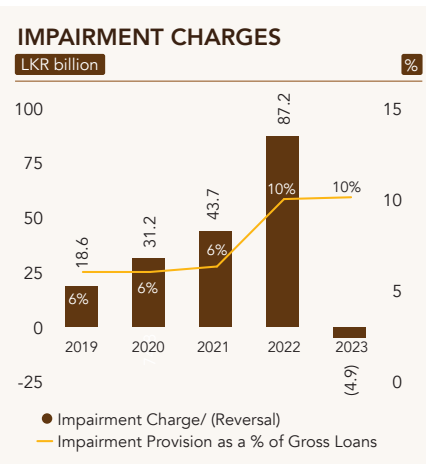
- the trading gains/ losses from foreign exchange, changes in fair value of derivative financial instruments, dividend income from trading equities.
- Unrealised gains/losses from investments in equities and debt instruments classified at fair value through Profit or loss.
- Net gains/ losses from derecognition of financial assets
- Net other operating income derived from dividend income from subsidiaries,. gains/losses from foreign currency assets/liabilities revaluation to reporting currency, rent income, etc.

Net gains from trading activities and net other operating income negatively impacted to the non-fund based income mainly due to the LKR 12.7 billion exchange losses reported with the appreciation of LKR by 11% during the year (2023: LKR 323.9233, 2022: LKR 363.1100).

However, the investment in equities and unit trust resulted mark to market gains as the share market started to boom up after a notable decline reported from 2019 with Easter attack, COVID - 19 outbreak and economic unrest.

Fair value gain of LKR 858.7 million from financial instruments at fair value through profit/loss and LKR 1,361.9 million gain from derecognition of financial assets were recognised to Profit or Loss during the year.

Impairment Charges



FINANCIAL REVIEW

The Bank adopted a proactive and prudent approach to maintaining considerable impairment provisions under the Expected Credit Loss model over the years, and at the beginning of 2023, held a provision coverage of 60% for Stage 3 loans and same coverage was maintained at the year end too.

In 2023, the Bank recorded a net reversal of impairment provisions for loans and advances amounting to LKR 2.7 billion. This positive outcome was attributed to the synergy of various factors, including robust business revival activities, rigorous credit monitoring practices, and the favourable appreciation of the LKR against USD. The Bank continued its prudent policy of providing additional provisions against newly-identified customer segments with elevated credit risk during the reporting period.

Stage 3 loans and advances reduced by LKR 12.8 billion during the year as a result of the strategic measures taken by the Bank to revive troubled customers. Stage 2 loans increased by LKR 64.9 billion and provision for Stage 2 loans also increased by the LKR 3.4 billion. Using management overlays, risk elevated industries were identified, and total exposures of such sectors were classified under Stage 2.

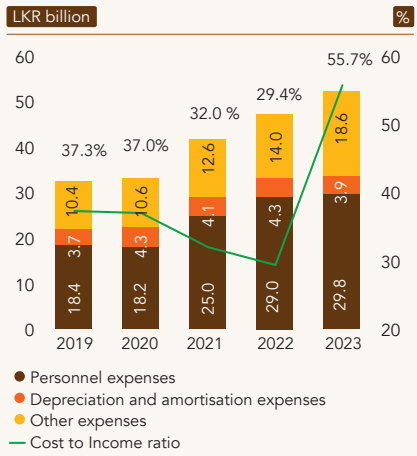
Under the CBSL Direction No. 13 of 2021 Classification, Recognition and Measurement of Credit Facilities, Licensed Banks are required to maintain a minimum 0.5% coverage for Stage 1 loans and BoC has maintained a 1.7% coverage as of end 2023, which is well above the requirment.

The Bank recorded LKR 2.2 billion net reversal of impairment against other financial instruments during the reporting year. Under the Domestic Debt Optimisation (DDO) programme announced by the Government, the investments in Sri Lanka Development Bonds (SLDBs) were converted to LKR Treasury Bonds during the year. Accordingly, the accumulated provision maintained for SLDBs was reversed and fair value adjustments also accounted for recognition of LKR Bonds which were received on account of settlement of SLDBs.

Total Operating Costs

Total operating expenses increased by 11%, primarily driven by escalating other administrative expenses in line with higher inflation and additional price adjustments influenced by LKR depreciation.

COST MANAGEMENT



The increase of personnel cost compared to last year was 3%, but the cost to income ratio of the Bank stood at 55.7% mainly due to the increase in interest cost and other expenses.

Taxation

BoC created a value of LKR 25.7 billion to the Government in the form of taxes during the year. The Bank incurred total income tax expenses amounting to LKR 13.6 billion for the year, marking a growth of 1,471% from the prior year's reversal of LKR 1.0 billion. As per the Inland Revenue Act No. 45 of 2022, the corporate income tax rate of 30% was applied on the taxable income of the Bank.

Taxes on financial services increased by 12% to LKR 12.7 billion in line with the strong growth in operating profitability.

GRI 207- 1 to 4

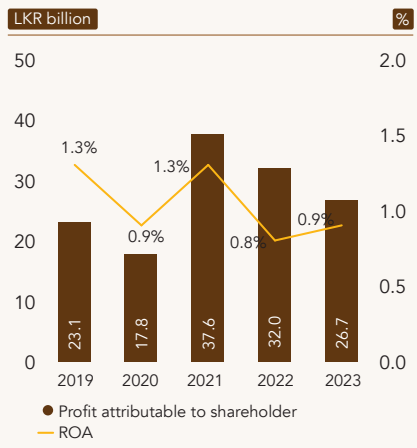
Approach to taxation: The Bank's tax strategy is directed by its Board of Directors and implemented by the Finance team. Compliance with tax regulations is monitored on an ongoing basis by the Internal Audit team with independent evaluation carried out by the external auditors at the end of the fiscal year.

The responsibility of liaising with the tax authorities and filing of tax returns with the respective departments of the Inland Revenue lies with the tax division and necessary consultancy is obtained by external expertise to tax advisory service. BoC was in adherence with all tax regulations of each country of operation and no incidents of non-compliance were reported during the year.

Profitability

Despite facing external challenges, the Bank ended the year with a profit before tax of LKR 40.3 billion marking a growth of 30% over 2022. Considering the impact of higher tax expenses, the profit after tax demonstrated a reduction of 16.5%, recording LKR 26.7 billion for the year ending 31 December 2023 compared to LKR 32.0 billion of the prior year.

PROFITABILITY



PRIORITY AREA 02:

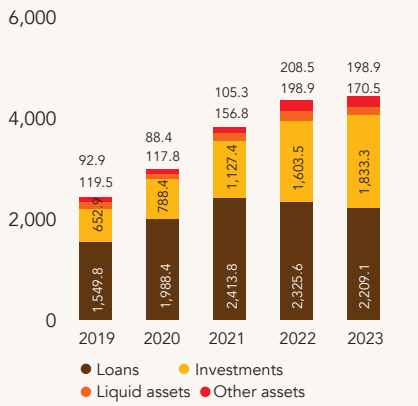
STRENGTHENING THE FINANCIAL POSITION

Total assets

During the year, the Bank's total assets grew by 2% and reached LKR 4.4 trillion, further solidifying its position as a leader in the industry. The composition of the asset book underwent several changes during the year with subdued credit demand amid weak economic conditions and higher investments in Government debt securities.

ASSET COMPOSITION

LKR billion



Gross loans marked a decline mainly due to the low credit demand under the high interest rate scenario and the wait and see approach adopted by the investors under uncertain economic conditions. However, during the second half of the year, gross loans increased by 5% (LKR 131.5 billion) showing improved borrower sentiments. However, the net loan portfolio which contributes 50% to the total assets of the Bank decreased by LKR 116.5 billion as of end 2023. Placements with banks witnessed a growth of 355% to LKR 75.0 billion, while Financial Assets measured at Fair Value through Other Comprehensive income which include Investments in Government securities that also increased by 470% to LKR 49.5 billion during the year. Balances with the Central Bank of Sri Lanka decreased by 50% following the downward revision in the SRR rate from 4% to 2%.

The credit risk profile of the Bank was a key concern stemming from the Board and careful strategies were executed to continually monitor asset quality. Adequate provisions were made for expected credit losses and special task forces were created to monitor stage 2 and stage 3 loans, liquidity and capital position of the Bank.

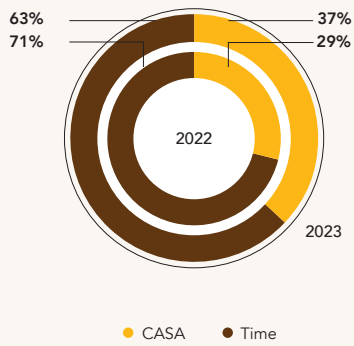
Total Liabilities

Overall liabilities witnessed a yoy increase of 2%, primarily driven by the growth in the Bank's deposit base, which expanded from LKR 3.3 trillion recorded in 2022 to LKR 3.9 trillion as of end 2023.

Savings deposits marked an 85% growth compared to the previous year reaching LKR 1.2 trillion as at year end. Increased appetite for time deposits led to a growth in the LKR time deposit base to LKR 1.7 trillion in 2023 from LKR 1.6 trillion in the previous year. Foreign currency deposits decreased by 7% during the year as a result of the LKR appreciation. The Bank's CASA ratio increased to 37% from 29% recorded in the previous year.

DEPOSIT COMPOSITION

%



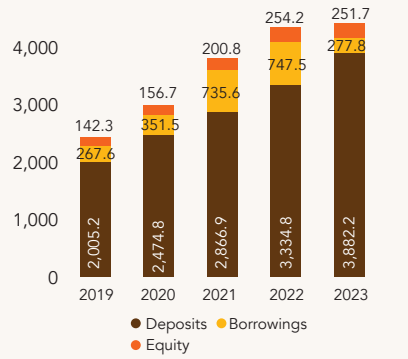
In December 2023, the Bank successfully issued LKR 10.0 billion worth of BASEL III compliant, Tier II, listed, rated, unsecured, subordinated, redeemable debentures. The debenture issue was oversubscribed, reflecting the strong investor confidence in the Bank.

Capital and liquidity

The Bank recorded a growth in retained earnings which stood at LKR 171.4 billion and shareholder's total equity reported LKR 251.7 billion as at the year end.

FUNDING COMPOSITION

LKR billion



Managing liquidity was a critical concern for the Bank during 2023. The Bank adeptly managed its liquidity position and risk by strategically navigating its deposit base amid the liquidity challenges prevalent in the market and recorded a positive local and foreign currency liquidity position as at year end. Foreign currency liquidity was upheld by strong remittance inflows, as the Bank leveraged its market leadership position and extensive reach.

The Statutory Liquid Assets Ratio of 42.80% (2022: 23.0%) remained well above the regulatory minimum requirement of 20%. Tier I and Total Capital Adequacy ratios stood at 12.76% and 15.84%, well ahead of the regulatory minimum levels of 10% and 14% respectively.

FINANCIAL REVIEW

PRIORITY AREA 03:

SHAREHOLDER VALUE CREATION

For the year ended December 31	2023	2022	2021	2020	2019
Return on equity (%)	10.6	14.1	21.0	11.9	16.8
Earnings per share (LKR)	1,067.7	1,278.9	1,503.6	710.6	971.8
Dividends per share (LKR)	6.9	13.9	73.9	63.9	14.6
Net Assets Value (NAV) per share (LKR)	10,068.6	10,167.4	8,030.4	6,266.4	5,691.3

Despite of the unexpected headwinds, the Bank navigated challenges without compromising the value generation for shareholder and as well as for other stakeholders.

The Bank was able to maintain a better trade off between its key concern of strengthening the Financial Position and generating return to shareholder by maintaining Return on Equity (ROE) above 10%.

Value creation to other stakeholders are presented in pages 84 to 109

Overseas operations and Group performance

The contribution of overseas branches in Male, Chennai and Seychelles to the PBT was 20% during the year.

At the consolidated level, Group pre-tax-profits for the year recorded LKR 41.7 billion, with a growth of 35% compared to the year 2022. As at end of 2023, the Bank had nine subsidiaries and four associate companies which are involved in diverse operations ranging from financial services, property management services and leisure management, among others. The Bank also operates a foreign subsidiary, which has facilitated market access in the United Kingdom while enhancing reputation and providing an effective platform to obtain foreign exposure for the staff.

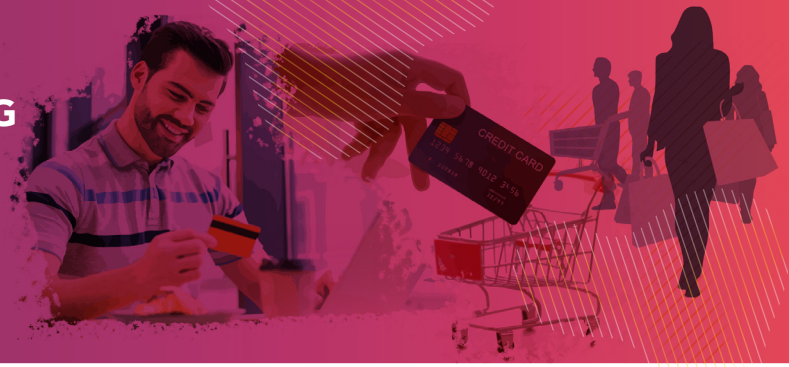
The Bank is by far the dominant entity within the Group, accounting for 99% of total assets. The subsidiaries are managed under a subsidiary charter that includes an annual comprehensive subsidiary performance review. The financial and operational performance of the subsidiaries are monitored by the parent entity on a regular basis while risk dashboards are shared with the Bank's Chief Risk Officer to ensure that risks are managed within acceptable levels in line with the Group's overall risk appetite. Meanwhile, a representative from the Bank typically holds a Board position to ensure that subsidiary and associate operations are conducted in line with the expectations of the parent entity.

WAY FORWARD

As Sri Lanka experiences inevitable macro-economic pressure in the short-term, the Bank remains committed to supporting customers to ensure their long-term sustainability. In line with these aspirations, BoC will also focus on enhancing its capital position through internal and external sources including Tier 2 instrument issues to drive its growth plans. We also hope to obtain from local or international funding agencies at concessionary rates funding while further expanding our low-cost deposit base through proactively identifying and pursuing suitable customers. Strategic focus will also be placed on strengthening our financial reporting through increased digitalisation of processes and embracing emerging international best practices.

PERFORMANCE OF BUSINESS SEGMENTS

RETAIL BANKING



Constitutes a range of lending, deposits, and transactional banking solutions targeting individuals, entrepreneurs, and MSMEs.

KEY STRENGTHS

- A significant share of the market which represents 42% of the Bank's total credit portfolio
- Over 2,100 touchpoints across the island
- A loyal customer base
- Access to development funding lines
- Versatile product portfolio

OUTPUTS

- Deposits
- Loans and advances
- Development lending
- Transactional banking

OPERATING CONTEXT

In the aftermath of an extremely challenging year, the banking sector remained resilient; amid the economic contraction expected for the year 2023, with anticipated restoration of debt sustainability, inflation moderating, and a gradual recovery of financial stability. The Bank's retail segment was impacted by the challenging operating environment, and stringent regulatory controls including the CBSL Monetary Law Act implemented in 2023. Despite the challenges, the retail segment continuously worked to strengthen its lending portfolio, and focused on supporting individuals, entrepreneurs, and MSMEs.

Under the high interest rate regime that prevailed during the initial stages of the year, the Bank continued to honour deposit interest payments which were at higher fixed rates. However, in order to safeguard personal loan customers who obtained credit on variable rates, the Bank took measures to provide preferential interest rates despite the increase in funding costs as a result of the lag effect of repricing the Fixed Deposits.

PERFORMANCE AGAINST STRATEGY

Stability, Governance and Sustainable Growth

- Strengthened internal controls to meet audit and compliance requirements.
- Promoted the green banking concept through new deposits and lending products.
- Aligned targets to comply with the sustainability agenda as well as overall sectoral stability.
- Propagated social and environmental consciousness through ESMS lending criteria.
- Established strategic partnerships for green financing with several agencies such as 'Idea Green Tech', 'BAM Green' and 'Hayleys Fentons'.

Excellence in Customer Experience

- Extended additional credit as working capital and investment loans to start-ups and SMEs to meet capital requirements.
- Provided financial assistance to new SME entrepreneurs to increase local production as substitutes to imports.
- Offered concessionary rate of interest to the affected borrowers on a case-by-case basis.
- Carried out capacity building programmes for entrepreneurs and professionals.

PERFORMANCE OF BUSINESS SEGMENTS

- Provided financial assistance and guidance to underperforming borrowers to overcome the cash flow issues and turn the business smoothly to performing category.
- Established the "BoC Gammana" to increase financial inclusivity and improve the livelihoods of rural communities.
- Strengthened 'BoC SME Circle' and 'BoC Export Circle', to support MSMEs, and start-ups in the export business.

Digital Excellence

- Launched the online platform for loan applications.
- Automated multiple internal processes.
- Automated the customer onboarding processes.
- Launched new digital products to cater to retail customers.

Rewarding Credit Culture and Healthy Credit Portfolio

- Introduced 'SME Energizer' - the Bank funded loan scheme, to stimulate economic growth and export earnings by providing credit facilities to MSMEs.
- Funding support through global and region level funding Agencies for perennial crop sector
- Provided loan schemes to women-led businesses to empower Sri Lankan women.
- Referred businesses struggling to fulfil debt obligations to the Business Revival and Rehabilitation Unit to extend required support.
- Revamped the Regional Loan Centers (RLCs) to strengthen the credit evaluation process and to expedite retail lending.
- Restructured credit facilities of affected borrowers due to economic downturn in line with the cash flow of the business.
- Allowed payment holidays to the affected borrowers by evaluating the businesses and the cash flow on case-by-case basis.

Building a High-Performing Team

- Continued to explore hybrid models to ensure a healthy work-life balance for our employees.
- Provided necessary training for employees engaged in customer service.
- Introduced reward schemes to boost the morale of employees.

DEPOSITS

Even though the interest rate started to decline from mid of the year 2023, the Bank was able to report a growth in the Deposit base. The Bank focused more on funding through Deposits. Retail segment represent 62% of the deposit base at total Bank level and out of the retail bank deposit base 51% comprise of LKR time deposits. In 2023, the retail segment deposit base demonstrated a significant growth driven by high deposit rates. LKR time deposits grew by 9% and total deposits grew by 7%.

The Bank maintained a proactive approach in introducing new products, to adapt to evolving market dynamics, and swift fluctuations in interest and exchange rates. The Bank also formed new Mithuru groups generating low-cost deposits amounting to LKR 26.0 million.

The CASA ratio of the Retail Banking segment stood at 33% reflecting the volatile business landscape experienced by SMEs, entrepreneurs, and personal customers during 2023.

LOANS AND ADVANCES

Under subdued economic conditions with higher credit risk, tighter controls for liquidity and capital adequacy, and stringent provision requirements, the retail segment focused on expanding its lending portfolio in a cautious manner.

Three new development loan schemes

LKR 2.5 billion, Bank funded "SME Energizer " Scheme

LKR 66.3 billion Development lending

Amidst these challenges, the segment concentrated on supporting SMEs and entrepreneurs by offering working capital and investment loans to uplift or revive their businesses. Exemplifying this commitment, the Bank launched the 'SME Energizer' loan scheme in 2023 with Bank funding of LKR 2.5 billion. This was a pioneering initiative that led to an expansion in credit while enabling us to help our customers move forward during tough times.

BoC SME Circle and BoC Mithuru initiatives continued during the year, providing MSMEs customers, with end-to-end services, and guidance to improve their business ventures. The Business Revival and Rehabilitation Unit put in a major effort to convert financially distressed customers who had the operational capability and carried out thorough and intense evaluations to support them in enhancing their portfolios with the required financing.

Under the green financing umbrella, the segment concentrated on increasing its lending towards renewable energy solutions, biogas and waste management projects, and leasing for electric vehicles, housing, educational and commercial loans remained subdued during the year.

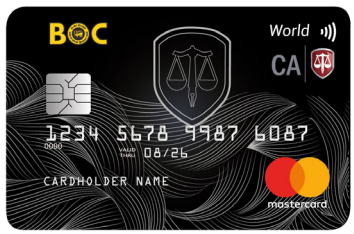
Realising the opportunity for growth in the leasing business, campaigns were carried out across all provinces.

A new division for Central Credit Operations was established to monitor and streamline the 15 RLCs operating at each province. RLCs were strengthened by assigning adequate and experienced employees and providing continuous training programmes. Entire RLCs have been streamlined to process the Housing and Commercial Loans within the Turn Around Time (TAT) and a monitoring mechanism was introduced to avoid delays in credit processing.

The segment recorded a significant growth of 39% in its 'Ransurakum' as people turning to pawning as a quick, convenient and accessible source of funds, which enabled mostly short-term funding requirement.

TRANSACTIONAL BANKING

The banking industry's shift towards digitalisation and seamless cashless transactions via credit and debit cards, which has become a fast and convenient way to access diverse retail and service providers, witnessed an increase in volume of 21% during 2023.



Launched: Credit Card for CA Sri Lanka members

The Bank's Internet Payment Gateway (IPG) introduced in partnership with Mastercard international, which offers secure online transactions and global e-commerce solutions, experienced greater adoption, resulting in a 7% increase in transaction volumes.

The Bank's Point Of Sale (POS) machines recorded a steady growth and market penetration of 34% in 2023. The increase in transactional banking is a reflection of the Bank's continuous journey towards digitalisation. Through our extensive branch reach, we catered to all provinces in the country face-to-face and via digital platforms, ensuring the accessibility of financial services in all areas of the island.

WHERE WE ARE HEADED

OPPORTUNITIES

- Facilitating urgent funding needs.
- Lending opportunities to support MSMEs.
- Opportunity to increase leasing portfolio.
- Business expansion through green product initiatives.

RISKS

- Imposition of Value Added Tax limiting the repayment capacity, access to new credit, and threatening business continuity of small-scale customers.
- Heightened credit risk due to borrowers failing to meet their debt obligations on time.
- Operational risk due to high attrition rates as employees migrate, impacting the Bank's productivity.
- Loss of business owing to high net-worth customers moving to other banks offering competitive rates.

Way Forward

- As Sri Lanka's leading bank, BoC remains committed to serve the community and support business recovery through access to funding, personalised solutions and advisory capacity.
- Enable a greater shift towards climate consciousness, which will be reflected across the segment's offerings, including retail deposits and credit facilities.
- Promote digital literacy and financial inclusivity within communities, while maximising the benefits of digitalisation and encouraging cashless transactions.
- Expand lending portfolio, funding export oriented MSMEs, and aggressively pursuing growth.
- Provide working capital and investment as well as guidance, mentoring and training, under the Saubagya Loan Scheme, in line with the 'Saubagya Development Bureau' which aims to uplift the efficiency and production capacity of village communities in terms of the assigned products.

PERFORMANCE OF BUSINESS SEGMENTS



CORPORATE AND OFFSHORE BANKING

Provides a variety of financial services to the private sector, and state sector corporates and institutions.

KEY STRENGTHS

- The largest corporate lender in Sri Lanka, with an loan exposure over LKR 1.3 trillion contributing 53% to total loan portfolio of the Bank.
- Supports the large-scale industries, institutions, and projects, impacting entire supply chains.
- Generating employment opportunities for millions of Sri Lankans.
- A vital engine of foreign exchange for the Bank as well as for the country.

OUTPUTS

- Corporate lending
- Customer deposits
- Offshore banking
- Project financing
- Trade services
- Premier banking

OPERATING CONTEXT

Corporates which were affected by the spillover effects of the recent economic crisis, continued to operate amidst multiple challenges. As a result of the global economic downturn, global supply chains were disrupted, leading to delays in imports of raw material required for production, which in turn led to delayed production and customer payments.

Most businesses remained vulnerable under the high interest rate regime and were further challenged by the hike in tax rates.

However, during the third quarter we witnessed some signs of improvement in the economy and banking business and a gradual increase in credit was seen with the easing of policy rates by the Central Bank of Sri Lanka.

PERFORMANCE AGAINST STRATEGY

Stability, Governance and Sustainable Growth

- Ensuring ESMS Compliance before funding.
- Green financing to promote renewable energy, environmental friendly industries.
- Compliance with relevant rules and regulations including foreign exchange directions.
- Facilitated major State-Owned Enterprises (SOEs) despite the challenging economic conditions and considering the overall national interest.

Excellence in Customer Experience

- Granted additional facilities on a case-by-case basis considering the business viability of the ongoing/ new projects.
- Granted financial assistance to customers looking to diversify their businesses, with a special focus on enhancing exports and forex inflows.
- Provided required assistance to customers by extending the tenure of facilities and deferring interest and capital repayments.

Digital Excellence

- Introduced Smart Online Banking Corporate version to corporate customers.
- Launched BoC Trade Channel to facilitate and handle all trade finance related banking requests via the digital portal.

- Automated the branch level trade operations with the introduction of a new Trade Finance System.
- Extended online real-time validation and updating.

Rewarding Credit Culture and Healthy Credit Portfolio

- Restructured existing facilities to match loan repayments to their existing cash flows.
- Monitored business cash flows to ensure cash flows are utilised for business purposes and loan repayments, thereby assisting corporates to achieve financial discipline.
- Established a dedicated SOE relations unit to enhance services.
- Following up with covenants and conditions imposed by approvring authorities.

Building a High-Performing Team

- Continuous knowledge sharing sessions were conducted on subject matters and relevant topics.
- Five training programmes UCP 600, URC 522, Bill of Lading, Incoterms and Marine Insurance were conducted to staff members related to international trade business.

The largest fund provider for essential imports of Sri Lanka

USD 14.2 million
Export Remittances through Export Circle

CORPORATE BANKING

As a multitude of challenges converged, creating an uncertain operating landscape, the segment primarily focused on identifying and managing risks while continuously prioritising its strategic objectives. Private corporate sector exposure grew from 30% to 35% during the year under review, demonstrating the commitment to onboard new customers, explore ventures, support emerging industries, and extend working capital financing to crisis-hit businesses. In a scenario where non-recourse funding with international banks was largely unavailable, BoC stepped in to support the private sector's hardest hit segments, including apparels, construction, tourism, fertiliser and more.

The division enhanced value addition to its customers, leveraging the specialised capabilities of the division. In addition to providing funding support to businesses, the segment focused on offering non-financial support including advisory services.

OFFSHORE BANKING

The Offshore Banking Division continued to extend financial assistance by granting short-term and long-term facilities in terms of foreign currency to exporters, while facilitating their inward/outward remittances in order to sustain their export-oriented industries, which in turn boosted export earnings in the economy.

Additionally, the division successfully financed a large-scale housing development project and several resort projects in the Republic of Maldives during 2023, further solidifying its presence in financial markets within Sri Lanka and the republic of Maldives.

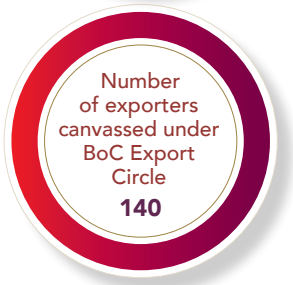
TRADE FINANCING

BoC played a crucial role in supporting priority sectors involved in the import of essential goods including fuel, liquid petroleum, gas, food items, pharmaceuticals, vaccines and medicines as part of its national commitment to fostering economic revival and social stability. Despite having to bear heavy import bills, the Bank arranged swap agreements and multilateral and bilateral lines of credit, to support the nation during the throes of the crisis. Trade finance income was critically impacted by reduction in short-term interest rates, reduced fee-based commission charges, appreciation of the Sri Lankan Rupee, import restrictions which prevailed for most part of the year, and low private sector credit growth.

The segment continued to canvass new export-oriented startups and SMEs in collaboration with the branch network through the Bank's fully-fledged one-stop "BoC Export Circle". Support and guidance were provided on export 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).

PERFORMANCE OF BUSINESS SEGMENTS





In line with the Bank's progressive digital agenda, the segment launched a new Trade Finance System during the year and the solution was rolled out to the entire branch network. This system implementation was essential in streamlining the Trade Finance Operations and enhancing customer service at branch level. Additionally, the segment focused on promoting and canvassing the Bank's new Trade Finance online Banking System which facilitates customers to process all Trade Finance related banking requests online.

PROJECT FINANCING

Businesses continued to postpone or scale back investments in infrastructure development and construction projects amid uncertain market conditions. High material prices, high interest rates and import restrictions on some construction related materials affected the businesses in this sector, thus limiting the scope of project financing during the year. However, emerging opportunities were identified in the renewable energy industry and greater focus was placed on extending credit lines towards such projects.

The segment also focused on providing financial support to export-oriented manufacturing industries, mixed development projects partially financed through foreign direct investment, and manufacturing of healthcare products that could be used as import substitutes. We also continued to provide advisory services to implement feasible projects in emerging markets, including export of agricultural products, manufacturing electric bikes and related products, and the development of waste management systems that would earn and save foreign exchange for the betterment of the nation.

Further, essential import requirement of the country was facilitated through the support of foreign funding canvassed with credit lines of multilateral funding agencies.

STATE OWNED ENTERPRISES RELATIONS

A new business unit, "SOE Relations" was established during mid-2023 to provide a dedicated service for the business requirements of SOEs aligning with the proposed SOE restructuring by the Government. SOEs are being financed purely based on their cash flows without limiting to Government-backed securities. The continuous support was extended to SOEs in the priority sectors involved in the import of essential goods, including fuel, liquid petroleum gas, pharmaceuticals, vaccines and medicines as part of its national commitment to fostering economic revival and social stability.

In view of nurturing the economic development of the country, financing for self-sustained SOEs will be decidedly considered in the future, aligning with the road map of the Government.

WHERE WE ARE HEADED

OPPORTUNITIES

- Integrating advanced digital technologies to streamline operations, enhance security and offer innovative online banking services.
- Considerable growth in tourist arrivals and improvement in the tourism sector.
- Emerging opportunities in the renewable energy segment.

RISKS

- Exposure to broader geographical and geopolitical scope due to Offshore operations.
- Sluggish growth and increased default risk in the construction sector.

Way Forward

- Digital transformation and adapting to new market changes, especially in e-commerce to improve service efficiency and client satisfaction thereby strengthening the Bank's competitive position.
- Seek new destinations for expansion as a strategic move to diversify and grow.
- Enhance sustainable businesses and industries.
- Expand the reach of the Export Circle through province level export fora for SME and start-up exporters.
- Harness the potential trade finance business through our overseas branches and increasing the trade business base through strategic partnerships.
- Build more awareness on selling culture and driving towards cross selling opportunities.

INTERNATIONAL, TREASURY, INVESTMENT AND OVERSEAS OPERATIONS



The cluster handles foreign currency related transactions, liquidity and fund management, investment activities and overseas branches.

KEY STRENGTHS

- International presence and long-standing relationships with foreign banks and counterparties
- Market leader in Inward Remittances
- Dedicated teams supporting the Bank's continual improvement of procedures, processes, and governance protocols.

OUTPUTS

- Liquidity management
- Treasury products
- Investment banking products
- Inward remittances
- Correspondent banking relationships
- Performance of overseas branches

OPERATING CONTEXT

After navigating through severe challenges stemming from the pandemic and economic crisis, the country as well as the banking sector witnessed a progression during the latter part of 2023. During the year, the Central Bank of Sri Lanka issued several Guidelines and Directions including maximum interest rates of Rupee denominated lending products, amendment to the definition of liquid assets under Section 86 and 76J of the Banking Act No. 30 of 1988, operating instructions on Reserve Requirements, Central Bank's Rate of Interest on Advances (Bank Rate), Operating Instructions on Open Market Operations of the Central Bank of Sri Lanka and Directions on Primary Issuance of Treasury Bonds which had an impact on the Bank and treasury operations.

State banks were highly-exposed to the sovereign as at end 2Q of 2023 by way of SLDB, ISB and foreign currency loans which posed concerns with the implementation of the Domestic Debt Optimisation (DDO). However, the Bank successfully completed the restructuring of SLDBs through an internally developed mechanism without affecting the liquidity, profitability and Net Open Position (NOP) of the Bank or impacting the foreign exchange market.

Despite the challenges, the Bank was also able to retain its market leadership position in Inward Remittances, demonstrating the dedication and commitment of the team.

PERFORMANCE AGAINST STRATEGY

Stability, Governance and Sustainable Growth

- Continuous image building efforts by way of awareness programmes, networking among all stakeholders.
- Strategic partnerships initiated for the Bank's future growth.
- Rationalisation of equity investment portfolio.

Excellence in Customer Experience

- Expanded the "Foreign Circle" to support overseas customers.
- Established five new tie-ups during 2023, which will further aid in improving our worker remittance market share.
- Introduced pre departure and post departure loan schemes to support expatriates.

PERFORMANCE OF BUSINESS SEGMENTS

- Frequent customer fora across overseas operations with special focus on retaining high net worth deposit customers.

Digital Excellence

- Automated the Trustee Custodian and Wealth Management functions of the Investment Banking Division.
- Revamped the Smart Remit system to offer the fastest remittance disbursement experience in the country, aimed at providing online real time processing within 5-15 seconds.
- Implemented instant transaction and monitoring for retail MVR account holders throughout all the banks in Maldives, 24/7 all year through.
- 14 New API integrations during 2023.
- System enhancements to strengthen data security.

Rewarding Credit Culture and Healthy Credit Portfolio

- Constant assessment of the liquidity risk management framework.

Building a High-Performing Team

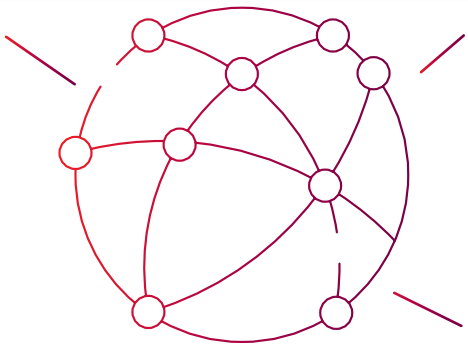
- Carried out staff awareness programmes for inward remittance related services through both digital and physical platforms.
- Remote working facility was provided.
- Implemented various productivity enhancement initiatives for staff

Inward remittances
USD 4.8 billion

Positive foreign currency and Rupee liquidity position

LKR 10.0 billion The first state bank in Sri Lanka to issue Basel III Compliant, Listed Debentures

BoC My Sri Lanka Special FCY FD



Correspondent banking relationships with 763 banks and **94 exchange companies around the globe**

05 new tie-ups established during 2023

30 Business Promotion Officers in overseas

INTERNATIONAL BANKING

With the fierce competition in the local market and the remarkably resilient nature of worker remittances as a source of foreign exchange, the Bank paid more emphasis on retaining and enhancing its healthy worker remittances market share. At present, BoC has correspondent banking relationships with 763 banks and 94 exchange companies around the globe, providing convenient access for expatriates to send their hard-earned money to their loved ones. Five new tie-ups were established during the year 2023, which will further aid in improving our worker remittance market share. 30 Business Promotion Officers have been deployed in selected locations across the globe to assist the overseas customers to conduct their banking operations smoothly.

The Bank was able to achieve a significant share of the worker remittance market in 2023 and secure its leading position in the market. Total worker remittances amounted to USD 1,237.4 million, marking a 49% increase in comparison to 2022. Worker remittances were received from almost all the countries in the world through our widespread correspondence network.

The Division organised 38 events to honour and felicitate the Bank's loyal customer base. During the year under review, a total of 190 events were held with the participation of nearly 9,400 customers. The Bank focused on migrant workers, their families and prospective migrants to create greater awareness on the financial services offered.

To encourage the expatriate community to send more remittances through BoC, the following marketing campaigns were conducted throughout the year 2023.

BoC Pita Pita Rata Thegi

Ratin Kaasi Bilata Waasi

BoC Ran Kahawanu Radio Programme

Ethera Methera TV programme

Joint marketing campaigns with exchange companies in different countries were also conducted and customised tariff structures and rebate systems have been offered to prominent exchange companies to incentivise them to route more remittances to Sri Lanka through the Bank.

TREASURY

During the first two quarters of the year, the Treasury Division managed the Bank's liquidity with high-cost borrowings and deposits, leading to higher interest expenses. At the same time lending contracted and interest income reduced along with an increase in NPA loans, which led to further narrowing of the net interest margin. Nevertheless, the Bank rebounded during the latter part of the year, considerably reducing interest expenses by settling high-cost LKR and foreign currency borrowings and repricing deposits at lower interest rates. The negative liquidity position which prevailed at the beginning of the year was turned around to a positive one by May 2023 and steadily maintained throughout the rest of the year.

The Division constantly assessed the liquidity risk management framework to ensure sufficient liquidity buffers were maintained to face anticipated stress events and proper functioning of the Bank.

Despite various constraints, the Division maintained the mandated ratios and established the role of Treasury as a neutral steering function. Our Government securities portfolio consisting of treasury bills and bonds marked a growth compared to 2022 as excess liquidity was invested in short-term treasury bills by effectively utilising the trading opportunities in the Government securities market, the Treasury Division received a capital gain by the year-end.

INVESTMENT BANKING

The Division marked a milestone emerging as the first state-bank in Sri Lanka to issue Basel III Compliant listed Debentures totalling LKR 10.0 billion. With the listing of BoC Debentures, CSE facilitated the listing of perpetual bonds in the stock market for the first time to meet the Basel III write down features attached to the BoC debentures.

With an enhanced portfolio management service offered to new clients, the Division was able to increase its customer base by 28%.

Steps were also taken to rationalise long held loss making shares in the share-trading portfolio by implementing a strategic plan to dispose shares.

Furthermore, automation of the Investment Banking function is in progress.

OVERSEAS OPERATIONS

Embarking on a global journey, Bank of Ceylon has extended its reach across continents, making a significant mark in four key locations including Bank of Ceylon (UK) Ltd, which is a fully-owned subsidiary of the Bank.

BoC has solidified its role as a trusted partner in overseas banking operations offering seamless global personal and business customer services with fully-fledged treasury operations.

Chennai

Despite the global crisis conditions which prevailed, the branch succeeded in funding several special large-scale projects across manufacturing, trading and export industries. Specific management efforts were taken to manage the operations and ensure resilience including,

- Continuous image building efforts by way of awareness programmes, networking among all stakeholders
- Frequent customer fora
- Capacity and morale building programmes for staff.

Several system enhancements were also carried out during the year in order to strengthen data security of the branch operations and cyber security.

Maldives

The management of our Maldives branch executed a multifaceted strategy to navigate the uncertainties while safeguarding both the Bank's operations and the well-being of its stakeholders. Employee well-being initiatives, collaboration with regulatory authorities, active community engagement and regular monitoring and adaptability underscored the Bank's commitment to manage the emerging challenges.

- Intensified focus on digital banking channels to address the increasing reliance on online services. As initiation from the Maldives Monetary Authority, the branch has successfully integrated with "Favara" platform during the year to implement instant payment system for MVR transactions.
- Offered large-scale credit packages specially towards tourism, construction and real estate industries in Maldives during the year
- Prioritising customer support initiatives, offering flexible repayment options and guidance on relief

PERFORMANCE OF BUSINESS SEGMENTS

programmes to assist clients facing financial challenges.

- Rigorous safety protocols implemented at branches for essential services, emphasising the well-being of customers and staff.
- Transparent communication, continuous risk assessment, and contingency planning.

Seychelles

The management of the Seychelles branch took several measures to improve customer relationships, especially in terms of building the confidence of depositors. The branch successfully improved its asset quality displaying its commitment to maintain a healthy credit portfolio.

On the digital front, the branch completed phase one of the internet banking solution and implementation of an automated Trade Finance system during the year. Seychelles branch has shown an upward performance consecutively in the year 2023 too.

WHERE WE ARE HEADED

OPPORTUNITIES

- Continued gains from digitalisation, process automation, efficiency improvements, and investment in human capital.
- Expansion of BoC's international reach and presence by entry into new markets.
- 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.

RISKS

- Global macroeconomic pressures
- Volatility of the equity market

Way Forward

- Increase exchange income with higher volumes and thin margins.
- Canvass low-cost deposits and expand investments to increase interest income, capital gains and Net Interest Margin (NIM).
- Enhance the dealing operations through the branch network.
- Open derivative products such as hedging, options, futures, e-trading platform for customers.
- Enhance foreign exchange transactions in INR with the collaboration of BoC Chennai.
- Process automation to enhance efficiency of operations.
- Expand Portfolio Management Service through marketing campaigns to enhance fee income.
- Expand our international presence.
- Continue the digitalisation process across all overseas branch operations.





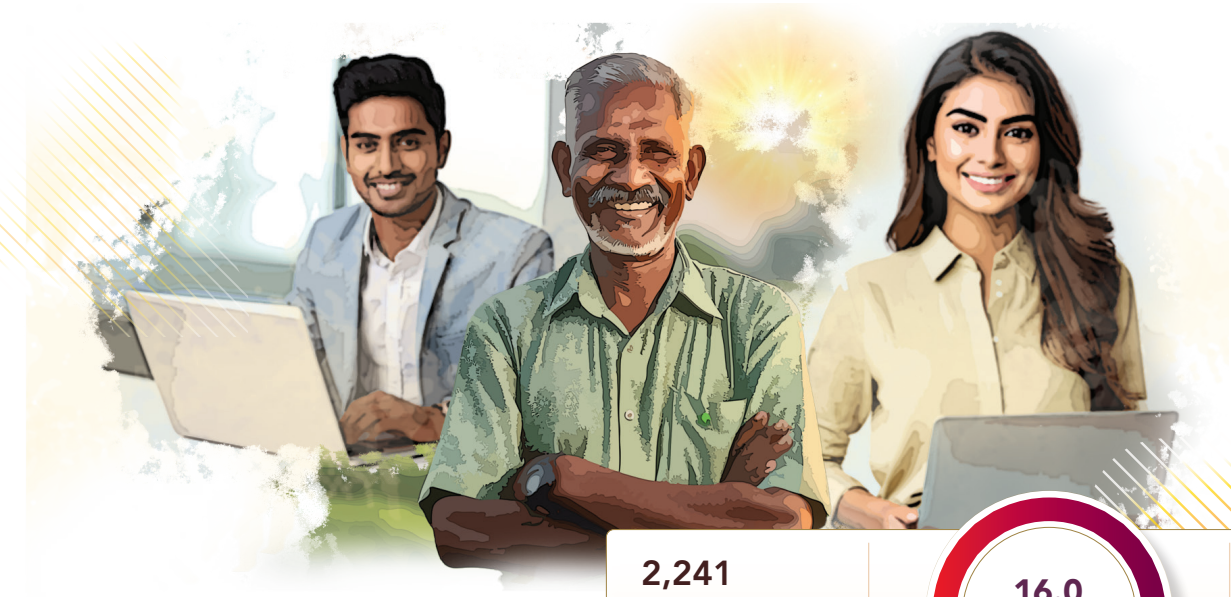
5

COLLECTIVE VALUE FOR ALL

The sun traverses and creates a regular presence in the sky, driving photosynthesis in plants and supporting ecological processes for sustaining life on earth.

The Bank with its enduring presence ensures that its decisions benefit the long-term aspirations of all Sri Lankans. We are committed to creating a postive long-term impact whilst delivering collective value for our stakeholders, sustainably and inclusively.

A PRIMARY PARTNER FOR OUR CUSTOMERS



Excellence in customer experience is integrated across the Bank's every function, with the ambition of delivering the highest standards of excellence, convenience and trust. We believe in fostering lasting relationships with our diverse customers, while striving to deliver growing value to both individuals and businesses year-on-year.

2,241
Direct Customer touchpoints

16.0 million
Customers

73%
Customer Penetration

50%
Female Customers

LKR 2.5 trillion
Funding to customers

Nine
New products launched

SDGs IMPACTED

MATERIAL TOPICS M1 M2

- The economic crisis led customers to face the collective impacts of exchange rate volatility, growing inflationary pressures, and the high interest rate regime, thereby placing pressures on loan repayments and their welfare.
- Mobility remained challenging owing to limited fuel supply and upward price revisions, creating a greater need for convenience in customer accessibility.

CONTEXT FOR 2023

STRATEGIC PILLAR

PRIORITY AREAS

EXCELLENCE IN CUSTOMER EXPERIENCE

- Accessibility to financial services
- An unmatched customer proposition
- Responsible banking

PRIORITY AREA 01:

ACCESSIBILITY TO FINANCIAL SERVICES

GRI 2-7

Bank of Ceylon serves a diverse customer base encompassing over 15 million customers across Sri Lanka and beyond. With an unparalleled penetration rate of 73%, the Bank's financial services are accessible to a wide-ranging customer base comprising individuals, from infants to senior citizens, micro, small and medium-sized enterprises, multinational corporations, state-owned enterprises, and large companies.

The Bank meets the dynamic demands of a fast-evolving marketplace by utilising its extensive product mix and long-standing connections with international partners to provide exceptional value to its clients.

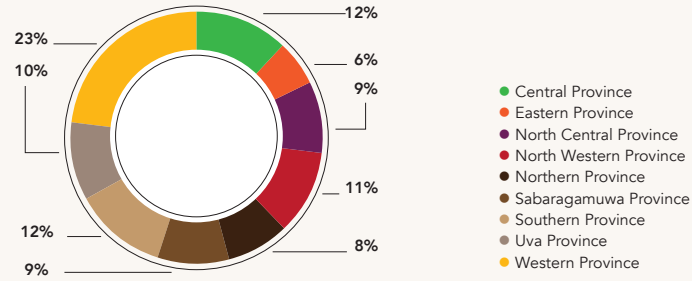
BoC offers services to all social demographics and connects with customers from every walk of life by virtue of the nation's largest branch network and physical presence, a varied and rich product offering, and a swiftly growing digital footprint. Key tenets of the Bank's mandate include serving historically underserved, unbanked and underrepresented categories of society, fostering a savings culture, and boosting economic activity by extending accessibility to financial services.

The Bank's mobile and extension services ensure an uninterrupted access to banking facilities whilst serving the tech savvy segments of our clientele who prefer to use digital channels of banking. Our suite of digital solutions include the B App, SmartPay App, BoC Connect Agency Banking and Meta Banking solution.

For more information on the Bank's digital capabilities, please refer 'A Digitally Empowered Bank' from pages 98 to 102.

GEOGRAPHICAL DISTRIBUTION OF CUSTOMERS

%



Ensuring Business Continuity

Substantial disruptions to the island's accessibility, transportation, and economic activities occurred during the year under review. For the benefit of its customers, the Bank continued to prioritise business continuity, ensuring that no branches remained closed throughout the duration of the fuel crisis. Additionally, the vast network of touchpoints maintained by BoC guaranteed uninterrupted service accessibility.

Additionally, the Bank relied on its previously established mobile banking units ("Branch on wheels") and the new agency banking solution to connect with rural and remote locations during the fuel crisis. The Bank's digital capabilities were expanded during the year, thereby reinforcing the organisation's ability to maintain operations during the year.

A Growing Multi-Channel Footprint

BoC maintains an expansive presence with a strong geographic coverage and footprint spanning 2,231 client touchpoints across the island. The Bank relies on a multi-channel strategy that utilises an electronic and digital reach, aligned with global and regional trends. As a result of this transition to digital and electronic transactions, 46% of all customer transactions in 2023 took place via digital or electronic banking channels.

The Bank continued to strengthen and consolidate its physical presence through the launch of one new branch in Weerambugedara, in addition to two new limited service branches opened in Kankesanthurai and General Sir John Kotelawala Defence University Hospital, Werahera. Additionally, nine branches were relocated and 43 new BoC Connect Agents were appointed for ease of access. Furthermore, 163 new CRMs were installed and 19 Smart Zones were established during the year.

Nine
Branches relocated for customer convenience

Three
New branches opened (including limited service branches)

19
Smart Zones added

163
New CRMs installed

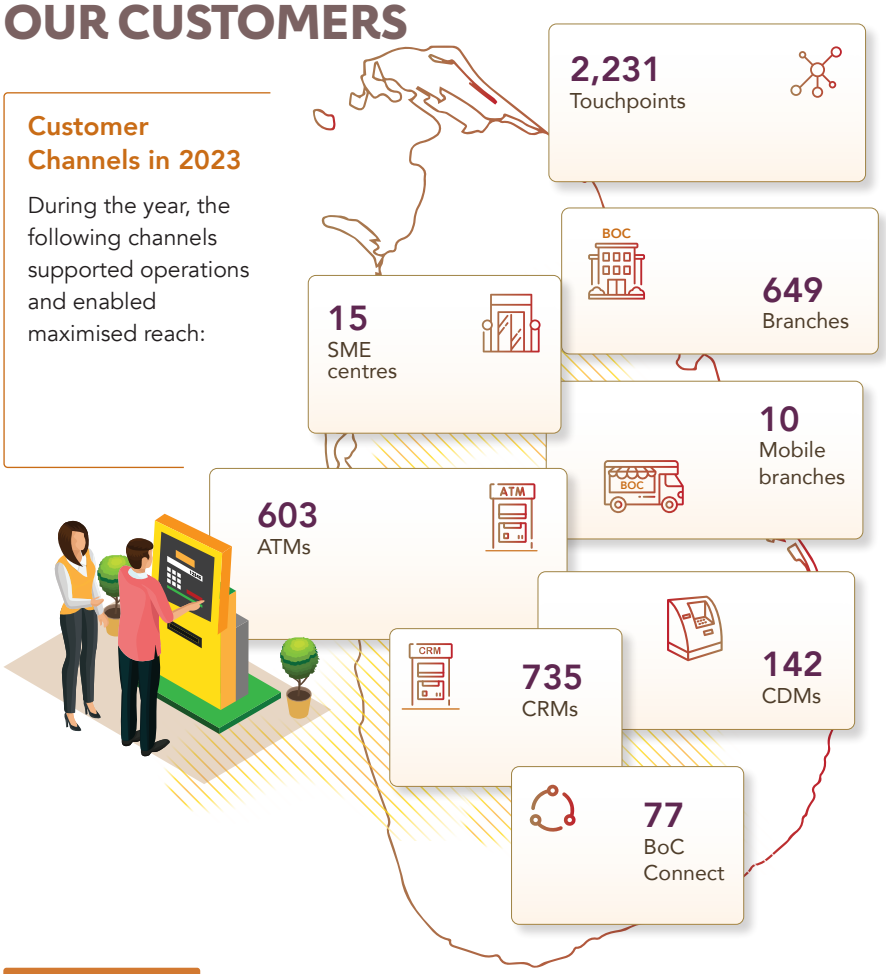
43
BoC Connect agents



A PRIMARY PARTNER FOR OUR CUSTOMERS

Customer Channels in 2023

During the year, the following channels supported operations and enabled maximised reach:



PRIORITY AREA 02:

AN UNMATCHED CUSTOMER PROPOSITION

Bank of Ceylon's commitment towards customer-centricity encompasses its entire gamut of products, services and processes. During the year, the Bank continued to facilitate customer needs through a timely response towards the challenges resulting from the economic crisis.

Business Revival and Rehabilitation

GRI 201-1

Sri Lanka's economic crisis continued to present unprecedented challenges, particularly with respect to the Bank's corporate clients. Organisations were compelled to contend with declining market share, rising borrowing costs, substantial challenges related to cash flow and working capital, and in the most dire cases, bankruptcy. As a result, the number of Non-Performing Credit Facilities (NPCFs) remained on the rise.

The Bank prioritised business revival over recovery in response to the ongoing crises; an approach that continued to serve as a crucial pillar of the Bank's strategic plan to establish a rewarding credit culture and a healthy credit portfolio.

The Bank's dedicated Business Revival and Rehabilitation Unit (BRRU) undertook the following actions in order to support customers impacted by the crisis:

Strategies to Support Customers

- Infused synergy into non-performing/ underperforming businesses to revive and sustain its operations and profitability in the long run even under challenging situations.
- Adopted cash flow based funding strategies after thorough evaluation of the business plan of non-performing/underperforming customers and close monitoring of such facilities after granting.
- Recovery through building a sound rapport with customers rather than aggressive recovery actions.
- Act as a Financial Advisor for the businesses of revival customers for the purpose of effective management of cash flow.
- Offered flexible terms and conditions for the approved facilities to BRRU customers.
- Frequent review of business operations and total cash flows.
- Frequent customer visits/follow-up inspections.

Strategies to Reinforce the Business Revival and Rehabilitation Unit

- Establishment of a separate Credit Support Division under BRRU.
- On the job training for all provincial BRRU officers.
- Customer felicitation and awareness programme.
- Special customer awareness programme through social media.

174
Customers revived in 2023

LKR 4,822.2 million
Recovered in 2023

LKR 82.2 billion
Total exposure rehabiliated

6,500 (approx.)
Employment opportunities secured

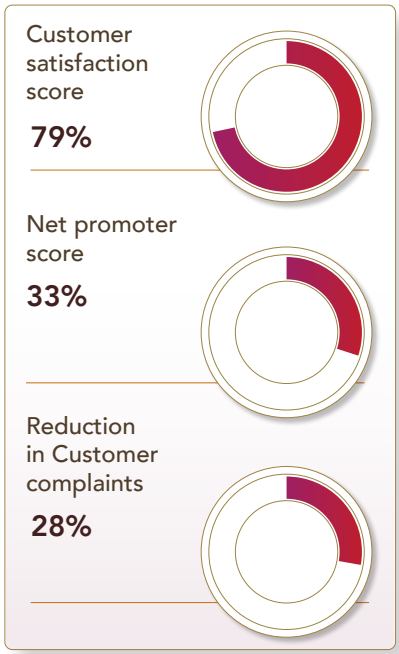
Service Excellence

In addition to expanding and strengthening digital and physical channels, the Bank initiated a range of programmes to enhance the overall customer experience and improve satisfaction levels.

The concept of 'Tea with BoC' was introduced, during the year 1,650 events were conducted, and 11,300 customers participated across various locations in the island. Meeter greeter was strengthening across each branch to assist customers and facilitate their banking experience. Additionally, training programmes were conducted for all employees with the aim of enhancing customer service and build their knowledge. Relationship officers were appointed in each branch to support high net-worth customers, while the overall ambience and environment was addressed by implementing 5S across the branch network.

Customer grievances are addressed via a stringent customer complaint handling policy. Furthermore, the Customer Experience Unit at the Bank has been established in order to address customer complaints and service-related issues while exploring opportunities to increase front-line personnel capacity.

Surveys are carried out by the Bank's Research and Development Division in order to gauge client satisfaction and pinpoint areas that need improvement, thereby contributing to the integration of a service-oriented culture within the Bank.



The Product and Banking Development Division proactively works to identify gaps in critical areas of business and unleash futuristic solutions for its customers.



Innovation and Product Development

At BoC, the Product and Banking Development Division proactively works to identify gaps in critical areas of business and unleash futuristic solutions for its customers. BoC Innolab, launched in 2022, continued to set the path for disruptions in Sri Lanka's financial services industry by reenergising innovations in products and services while providing smarter banking experiences. The Business Process Re-engineering Project Unit (BRRU) as well as the Documents Managment System (DMS) Unit played a critical role in formulating relevant and timely strategies and action plans to open pathways for the development of innovative products and enhanced services, bringing greater convenience and ease for BoC customers to conduct their banking transactions. The following new products and services were launched during the year to address present and emerging needs:

A PRIMARY PARTNER FOR OUR CUSTOMERS

My Sri Lanka Foreign Currency Fixed Deposit

A Special Foreign Currency Fixed Deposit Scheme for customers who are interested in contributing towards increasing the foreign currency deposit base in Sri Lanka; a pivotal measure taken towards uplifting the Sri Lankan economy whilst gaining the maximum benefits for their hard-earned foreign exchange. The solution offered a higher interest (depending on tenure) for foreign currency deposits across a range of denominations.

BoC Flexi Investor Scheme

BoC Flexi Investor offers flexibility for customers to establish their own investment plan based on the goal, tenure, affordability, attractive rates, and wide range of investment options, helping to achieve customers' financial goals faster, using a structured approach of their choice. The customer will not be charged any penalties despite missing any of their commitments, and the Bank facilitates easy transaction tracking via digital channels to enable customers stay on track to meet their goals.

BoC Kantha Ran Ginum Savings Certificate

BoC Kantha Ran Ginum Savings Certificate is a lump sum investment option exclusively designed for ladies offering a higher return.

BoC Ran Kekulu Fixed Deposit Scheme

A special fixed deposit scheme was launched for children below 18 years of age, in order to provide a stable foundation for progress and drive the growth of future generations.

Ran Kekulu Smart Investment

A unique account designed for children below 18 years of age, empowering them for a financially stable future.

Special Savings Scheme for the Beneficiaries of "Aswesuma" Social Welfare Benefits Programme

A special savings scheme introduced for the beneficiaries of the "Aswesuma" Social Welfare Benefits Programmes implemented by the Ministry of Finance, Economic Stabilisation and National Policies. The account offers all features available for normal savings account and facilitates the opening of an account without an initial deposit.

SME Energizer

A special loan scheme for MSMEs in agriculture, animal husbandry, fishing, tourism, industry, services, women-led businesses, export related businesses and startups.

Interest subsidy pledge Loan Scheme

An interest subsidised loan scheme to provide pledge loans at a concessionary interest rate to the small and medium scale paddy millers, paddy storage owner and paddy collectors to purchase paddy during seasons.

Manusavi loan scheme for Sri Lankan migrant workers

A refinance loan introduced jointly with CBSL and Sri Lanka Bureau of Foreign Employment (SLBFE) for Sri Lankan migrant employees in recognition of their pivotal role in foreign exchanges earnings.

Export Circle

Under the BoC Export Circle programme, we continued to offer financial support, networking and capacity building opportunities to export-oriented businesses, particularly SMEs. 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.

SME Circle

SME Circle has stood as a beacon of support and guidance for Sri Lanka's small and medium-sized enterprises (SMEs). Our commitment to nurturing the entrepreneurial spirit and strengthening the backbone of our nation's economy has yielded remarkable results, with over 400 customers supported and 15 businesses making the leap to the export level.

Foreign Circle

Foreign Circle was launched by the International Division and aims to provide prime customer service to BoC customers who work and live in abroad.

PRIORITY AREA 03:

RESPONSIBLE BANKING

The Bank is mindful of the impact and extent of its operations, and thus engages in ensuring that all communications are conducted in a responsible manner, while maintaining the highest levels of security and trust.

Furthermore, the Bank strives to educate its customers to promote prudent banking practices and maximise customer growth potential.

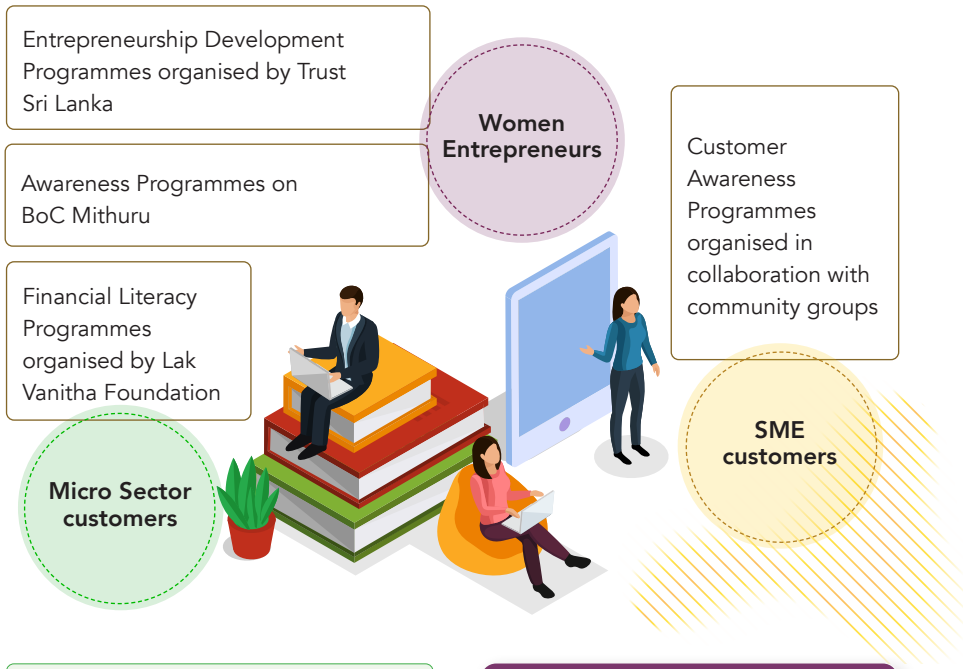
Compliance and Responsible Communications

Bank of Ceylon is dedicated to offer clear and accurate information to customers regarding products and services, and upholds responsibility and transparency across all its interactions. The Bank provides all pertinent information to its customers in the language of their choice, including details spanning interest rates, maturity dates, and all terms and conditions. The Bank's practices and customer engagement processes are aligned with the CBSL Customer Charter, which describes the responsibilities and standards related to customers.

Incidents of non-compliance concerning marketing communications and non-compliance with laws and regulations in the social and economic areas were not reported during the year.

Educating Customers

A wide range of groups including entrepreneurs, migrants, students, and public servants, are the focus of the Bank's ongoing customer education and awareness campaigns.



Migrants

Several programmes including Ethera Methara, BoC Ran Kahawanu radio programme, SLBFE Trainings were conducted for migrants and their families.

Students

- Ran Kekulu Grade 5 seminar series
  12,459 students benefited from the programmme.

  5,092 students were given vouchers for grade 5 scholarship.
- Nenajaya 18+ Career Guidance programme
  14 Career Guidance programmes were conducted targeting A/L and O/L students.

WAY FORWARD

We will continue to prioritise a customer-centric approach across all touchpoints, leveraging data analytics and insights to better understand customer preferences, anticipate needs, and deliver tailored solutions. Embracing digital transformation is crucial for meeting evolving customer expectations and therefore we will continue to invest in digital channels, technologies, and platforms to enhance accessibility, convenience, and responsiveness, ensuring seamless interactions and transactions. Innovation will be at the forefront of our strategy, as we strive to develop and launch products and services that address emerging customer needs, solve pain points, and differentiate us in the market.

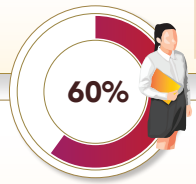
A WINNING, TALENTED AND DIVERSE TEAM



Our team is the cornerstone of our operations, and comprises multifaceted, talented individuals from all walks of life. As the largest employer in Sri Lanka's banking sector, Bank of Ceylon is deeply committed towards providing its workforce with opportunities for development and progress, while steadfastly working towards building industry capacity, capabilities and knowledge.

8,579
Employees

Female representation



32
Average training hours per employee



Awards

946
Promotions

LKR 200.1 million
Invested in training and development

SDGs IMPACTED



MATERIAL TOPICS: M1, M3

- Against the backdrop of the economic crisis, employee retention emerged as a key challenge across industries.
- Inflation, taxation and the escalating cost of living continued to impact employee motivation and welfare.
- Digitalisation continued to be a key focus area to ensure accessibility, convenience and improve turnaround time.

CONTEXT FOR 2023

STRATEGIC PILLAR

PRIORITY AREAS

BUILD A HIGH-PERFORMING TEAM

- Nurturing Diversity
- Strengthening Governance
- Enhancing Productivity
- Improving Welfare
- Digitalisation and Sustainability

PRIORITY AREA 01:

NURTURING DIVERSITY

GRI 2-7

With 8,579 permanent staff members distributed throughout nine provinces in Sri Lanka, branches in the Maldives, Seychelles, and India, and a subsidiary bank in London, Bank of Ceylon serves as the largest financial institution in Sri Lanka's banking sector, and consequently its biggest employer.

The Bank is dedicated to fostering a space for diversity and inclusivity, welcoming people from a variety of socio-economic backgrounds, religions, and ethnicities. This provides the Bank with a competitive edge, while cementing its reputation as a leading employer, thereby attracting the nation's foremost talents and capabilities, and is the driving force behind its numerous accomplishments.



11 Years
Average service length of permanent employees

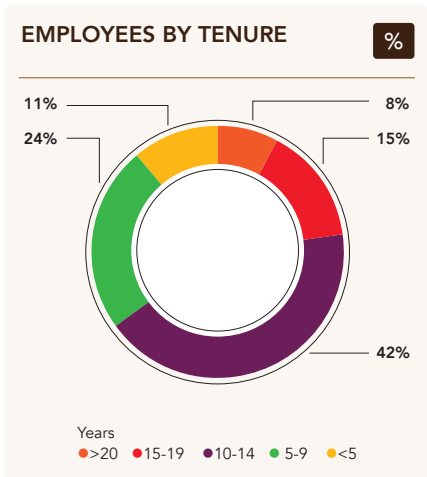
100%
of Senior Management hired from local communities

Province-wise employees by nature of employment and gender

Province	Permanent		Outsourced		Contract		Total
	Male	Female	Male	Female	Male	Female	
Western Province	1,528	2,425	365	17	3	-	4,338
Central Province	264	445	157	7	-	-	873
Eastern Province	269	187	133	-	-	-	589
Northern Province	232	274	140	-	-	-	646
North Central Province	284	285	125	-	-	-	694
North Western Province	245	432	138	3	-	-	818
Sabaragamuwa Province	210	321	126	-	-	-	657
Southern Province	230	496	159	-	-	-	885
Uva Province	211	241	128	-	-	-	580
Total	3,473	5,106	1,471	27	3	-	10,080

Employees by age and category of employment

Category/ Age	Corporate Management	Executive Management	Chief Manager	Senior Manager	Branch Manager and Assistant Manager	Management Trainees and other officer grades	Staff/ Office assistant and allied	Total for 2023
Under 35	-	-	-	-	55	1,015	3,048	4,118
35-55	8	44	124	155	1,086	1,720	1,059	4,196
Above 55	10	19	26	15	36	60	99	265
Total	**18**	**63**	**150**	**170**	**1,177**	**2,795**	**4,206**	**8,579**



Enabling equal opportunity

Among other policies, Grievance Handling Policy, Disciplinary Code and Human Resources Policy of the Bank provide equal opportunities and a harassment-free workplace. BoC's dedication to fostering an equitable and inclusive workplace is further evidenced by the Bank's implementation of Grievance Handling Policy as well as the Gender Policy.

The Gender Policy provides a framework for action, which will ensure equal access to women and men for all Bank resources and opportunities. The policy and procedures applies to all employees at the Bank despite the designation, category or place of work in terms of:

A WINNING, TALENTED AND DIVERSE TEAM

- Recruitment, selection and promotion
- Terms and conditions of employment
- Access to training, professional development and career progression
- Safe working environment
- Leadership, management and accountability
- Grievances, disciplinary action and termination of employment
- Compensation and benefits

Furthermore, the Bank has policies in place regarding the hiring of differently-abled individuals, and in 2023, 14 such employees were added to the Bank's team, fostering inclusivity and equal opportunity.

Non-Discrimination GRI 406-1

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

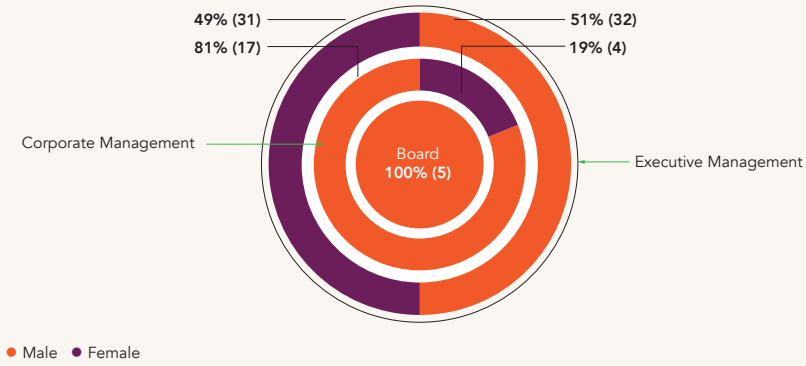
Diversity of governance bodies and employees

GRI 405-1

With 60% of its workforce being female in 2023, Bank of Ceylon continued to enjoy one of the highest rates of female representation in the industry. The Bank's governing bodies further reflect this commitment to diversity with the Executive Management of the Bank holding a 49% female representation rate.

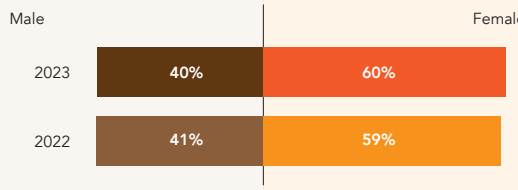
DIVERSITY OF GOVERNING BODIES

% / Nos



EMPLOYEES BY GENDER

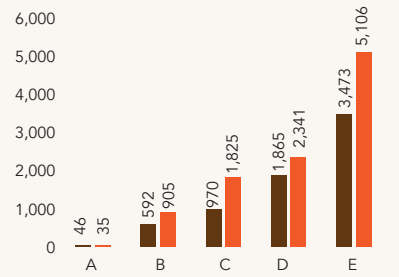






EMPLOYEES BY CATEGORY AND GENDER

Nos.



A- Corporate and Executive Management
B- Managerial (CM, SM, BM and AM)
C- Officers (including MT)
D- Staff/ Office assistants and Allied Grades
E- Total

Recruitment

GRI 401-1

All recruitment opportunities are publicly advertised, and are undertaken in accordance with a Board-approved manpower plan. During the recruitment process, numerous factors are taken into account, including diversity, skills, experience and qualifications. A stringent vetting process and strict guidelines are in place to ensure a fair and unbiased selection process is upheld, with written examinations conducted as required.

New recruits by gender

Gender	
Male	Female
270	494



65% of female recruits

New recruits by region

Province-wise Recruitment	Male	Female	Total	As a percentage of total recruitments
Central	6	33	39	5%
Eastern	42	30	72	9%
Northern	27	44	71	9%
North Central	52	51	103	13%
North Western	21	54	75	10%
Sabaragamuwa	18	60	78	10%
Southern	16	57	73	10%
Uva	46	55	101	13%
Western (including H/O)	42	110	152	20%
Total	270	494	764	100%

Fostering fairness and inclusivity

The Bank has in place a Disciplinary Code that includes guidelines, procedures, and protocols that address possible workplace sexual harassment in a proactive manner. In the event of a grievance or concern, comprehensive guidelines and a systematised process spanning inquiry to resolution are outlined in the Bank's Grievance Handling Policy.

Parental leave

GRI 401-3

Parental leave is an essential aspect of the Bank's strategy to attract and retain female talent. The Bank succeeded in retaining 100% of the employees who went on parental leave, and has consistently observed strong rates of return to work from these individuals.

In 2023, paternity leave was introduced for the male employees (03 working days with pay).

Indicator	2023
Employees entitled to parental leave	5,106
Employees who availed on parental leave	340
Employees who returned to work after parental leave	307
Employees still in employment twelve months after their return to work from parental leave	445
Return to work rate	100%
Retention rate	100%

Equal Pay GRI 405-2

According to the terms of the Collective Agreement entered in to for 2021–2023, and in accordance with the Bank's established policies, Bank of Ceylon ensures that men and women are provided with equal pay (1:1 ratio).

PRIORITY AREA 02:

STRENGTHENING GOVERNANCE

As an equal opportunity employer, the Bank has established a range of policies, practices, and standards to guarantee that all workers receive the same treatment and opportunities, regardless of their gender, ethnicity, or any other aspects.

These governance mechanisms uphold all local laws and worldwide best practices while fostering a non-discriminatory work environment.

Together with the HR and Remuneration subcommittees, the HR Policy Committee headed by the General Manager, is in charge of all affairs pertaining to the Bank's overall HR strategy, including guidance and support at a policy level.

Furthermore, a sustainability policy guides and ensures that sustainable principles are ingrained and practiced across the workforce.

The operationalisation of the Bank's HR management function is the responsibility of the HR Department. Every employee transfer is supervised by a Transfer Board.

Additionally, the Bank upholds an open-door culture to guarantee accountability and openness throughout all operations and reporting levels.

Whistleblowing Policy

During the year, the Whistleblowing Policy was reviewed, demonstrating the Bank's commitment towards transparency and accountability. The policy maintains the utmost confidentiality and ensures that employees can report any instances of misconduct or fraudulent activity without fear of retaliation.

A WINNING, TALENTED AND DIVERSE TEAM

Freedom of association and collective bargaining

GRI 407, GRI 402-1

The Bank offers collective bargaining and freedom of association, and 100% of the workforce holds membership in one of six trade unions. The highest level of transparency is maintained throughout any discussions held with trade unions, which are handled by elected representatives. The Collective Agreement that was signed in 2021 and encompassed the years 2021–2023 remained in effect during the year.

Collective agreements covering all permanent employees specify the notice time as well as measures for negotiation and consultation. A notice period of six months is given to ensure employees are apprised of any significant major operational or organisational changes.

PRIORITY AREA 03:

ENHANCING PRODUCTIVITY

The Bank consistently works towards improving employee skills and capabilities, while creating a conducive environment to build a productive and high-performing workforce.

Training and development

The Bank of Ceylon continues to place a significant emphasis on staff training, allocating a substantial investment towards this endeavour. The Human Resource Department strives to develop staff members into more capable decision-makers, leaders, and mould a driven, engaged workforce.

The Bank's training programmes are specifically designed to give its employees the abilities and information required to prosper in a dynamic, unpredictable, and ever-changing work environment.

The framework also describes procedures and techniques for determining the following:

- Conducting a needs assessment
- Establishing goals and learning objectives
- Designing training programmes
- Choosing training methodologies
- Measuring training efficiency

Investment in Training

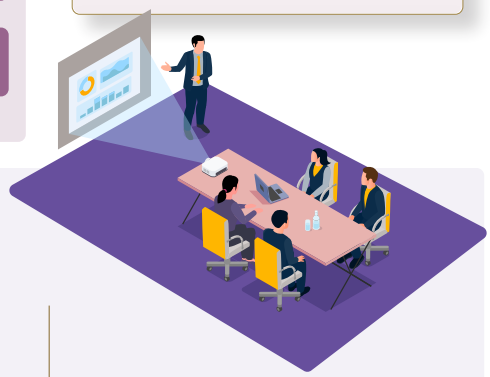
GRI 404-1

LKR 200.1 million
Invested in training and development

596
Training programmes

275,019
Total training man-hours

32
Average training hours per employee



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 management
- Skills development
- Sales and marketing
- Finance and planning
- Risk management
- Legal
- Security
- Personal grooming and etiquette
- Work-life balance and stress management
- Sustainable banking practices

Performance management

GRI 404-3

The Bank utilises a Performance Management System that assesses KPIs and competencies on a bi-annual basis. The performance evaluation process is automated, thereby ensuring a fair, unbiased assessment of employee performance throughout the year.

Career development and succession planning

The Bank relies on data-driven, technologically assisted efforts to roll out succession planning for managerial positions and above, with an emphasis on leadership development and career advancement.

This involved identifying specific roles and preparing qualified candidates to assume more responsibility and senior positions. Coordinated leadership development courses, such as executive and management development programmes, leveraging the expertise of external organisations and resources to support their development and implementation.



PRIORITY AREA 04:

IMPROVING WELFARE

The Bank offers a holistic value proposition to its employees, which include and transcend remuneration and rewards.

- Competitive remuneration and merit-based rewards
- Consistent engagement and employee motivation
- Work-life balance with a focus on health and well-being
- Safe and dynamic work environment
- Concessionary and complimentary benefits
- Continuous investment in training, development and career progression
- Post-employment benefits

Competitive remuneration and merit-based rewards

GRI 401-2

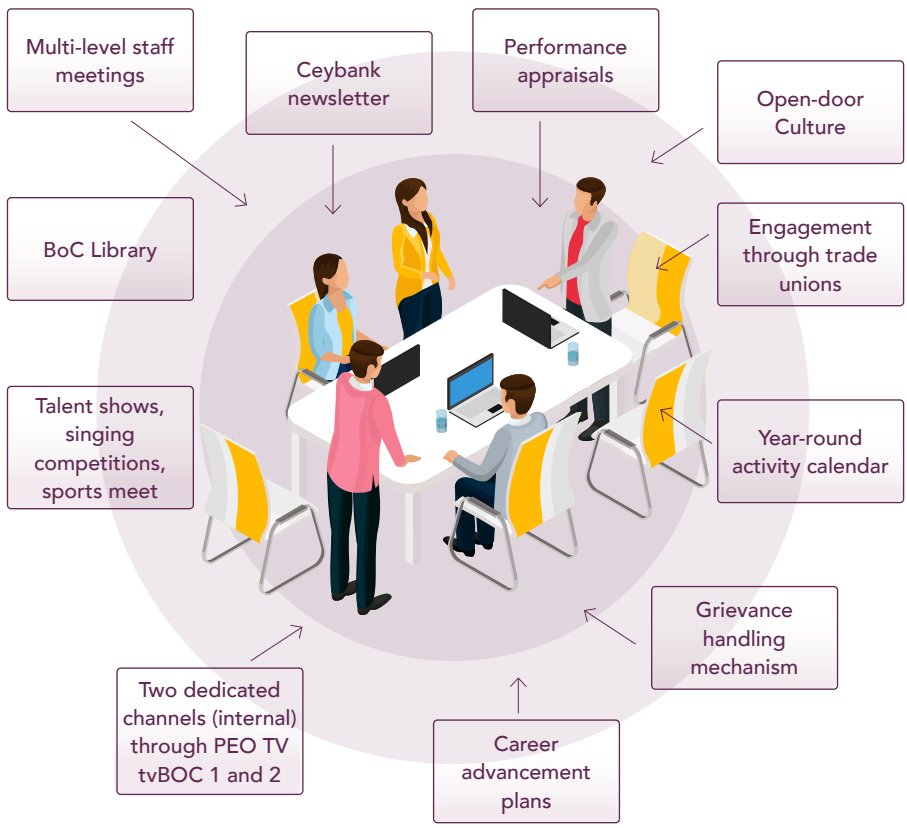
Employee benefits and incentives correspond with market prices entitled as per the Collective Agreement agreed for the 2021–2023 period. Every employee's salary and non-salary benefits are outlined in the aforementioned Collective Agreement, which stipulates that all Bank employees are entitled to receiving appropriate compensation and benefits in a fair and equitable manner.

In light of the prevailing economic conditions, the Bank adjusted the Cost-of-Living Allowance (COLA) to compensate for the elevated inflation and provided a certain level of relief to employees.

Consistent engagement and employee motivation

The Bank conducts a range of programmes to ensure employees remain engaged and motivated, while nurturing long-term relationships with its workforce.

LKR 25.8 billion
Invested in compensation and benefits



A WINNING, TALENTED AND DIVERSE TEAM

Concessionary and complimentary benefits

As part of the Bank's commitment to, employees also enjoy paid leave, medical reimbursements, discretionary bonuses and incentives, concessionary lending facilities and welfare transport facilities,

Owing to the economic crisis, the Bank offered relief credit facilities at concessionary rates, while providing flexibility with loan repayments.

Work-life balance with a focus on health and mental well-being

BoC recognises the importance of promoting work-life balance and supporting the health and mental well-being of its employees. Gym facilities, Yoga sessions, resorts for holidaying and library access are provided to employees to promote physical health, mental well-being, and stress management. A consultant is also available to provide confidential counseling, support services under the programme "Sri Lanka Sumiththrayo", as resources for employees facing personal or work-related challenges.

Safe and dynamic work environment

GRI 403-1/403-4/403-5/403-7/ 403-8/403-9/403-10

Employee well-being, safety, and health are top priorities for Bank of Ceylon. The Bank has established robust standards and guidelines that address crucial elements pertaining to occupational Health and Safety. Furthermore, collective agreements that encourage involvement and engagement in Occupational Health and Safety (OHS) concerns clearly describe employee entitlements under the Bank's medical aid schemes.

Throughout the year, 459 lost-days were attributed to absences, work-related illnesses, and/or injuries.

The Bank has instituted an official OHS Committee with employee representation as a key component of its ongoing commitment to protect employee health and safety. To raise staff knowledge and spread a culture of health and safety, regular health awareness workshops and fire drills were held throughout the year. Additionally, all employees' health and safety hazards undergo consistent evaluation and supervision via a high-level Special Safety Task Force comprised of senior management.

GRI 403-6

In order to promote employee health, the Bank has established a pharmacy and an on-site physician at the Head Office. Additionally, all permanent employees are eligible for a comprehensive medical assistance programme that covers hospital stays, and outpatient (OPD) treatment.

Post-employment benefits

GRI 401-2

The Bank also provides superannuation and assistance with medical needs to its former workers who completed their tenure of devoted service at the Bank of Ceylon. In accordance with the Bank's policy, widows and orphans are also eligible for this support.

- 7,299 pensioners receive assistance from the Bank's Superannuation programme
- 2,133 Widows' / Widowers' and Orphans' Pension Fund beneficiaries



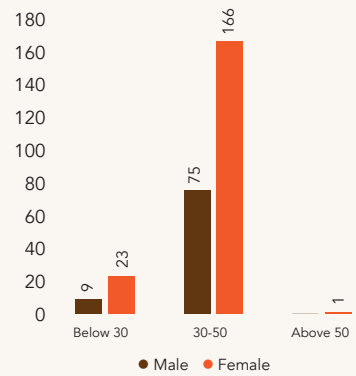
Employee resignation

GRI 401-1

As the country faced a severe brain drain owing to the financial pressure caused by the economic crisis, Bank of Ceylon too experienced an increase in staff turnover during 2023 as employees began seeking employment opportunities overseas. The retention rate of the Bank dropped from 98% to 95%, and out of the total count of resignations during the year, 72% were due to migration.

	Resigned	Retired	Total
Male	84	30	114
Female	190	50	240
Total	274	80	354

RESIGNATION BY AGE AND GENDER



Province-wise	Resignation	Retirement
Central Province	14	5
Eastern Province	6	3
North Central Province	17	1
North Western Province	20	3
Northern Province	9	6
Sabaragamuwa Province	16	5
Southern Province	16	7
Uva Province	11	3
Western Province	165	47
Total	274	80

PRIORITY AREA 05:

DIGITALISATION AND SUSTAINABILITY

The Bank continued to prioritise the development of a future-ready workforce, by equipping employees to adapt to a fast-evolving digital environment. The Bank further offers flexibility to employees by supporting a hybrid work environment that enables both on-site and off-site working capabilities.

The organisation's digital drive has successfully utilised systems and platforms to reduce paperwork and improve efficiency. The introduction of the Human Capital Management (HCM) System and the use of workflow and sales service portals have considerably contributed towards process improvements within the Bank.

Sustainability at BoC

A dedicated AGM division oversees sustainability development within the Bank, and additionally, employees receive consistent training and awareness sessions regarding ESG principles and green banking. Particularly with respect to credit training, employees undergo at least half an hour of training regarding ESG during each programme. These are further reinforced by ongoing sustainability initiatives at the Bank, and content presented via tvBOC.

Furthermore, a solar loan facility is offered by the Bank to encourage employees to progress towards renewable energy sources.

GRI 403-6

In 2023, the Bank introduced the award for 'The Best Digitalised Branch' in order to recognise efforts to integrate digital capabilities within the Bank in order to streamline processes, increase efficiency and reduce costs.

WAY FORWARD

The human capital remains dynamic, influenced by technological advancements, evolving customer expectations, regulatory changes, and workforce trends. Talent acquisition and retention will remain a priority, particularly as the country's migration levels remain elevated. We will also maintain our focus on employee well-being and mental health, while investing in reskilling and upskilling programmes to equip employees with the skills needed for the future of banking. BoC will also strengthen its efforts to promote diversity in hiring and leadership and foster a culture of belonging where all employees feel valued and respected.

A DIGITALLY EMPOWERED BANK



Digital transformation is an ongoing process at Bank of Ceylon, and deeply entrenched within our operations and approach to doing business. Our digital capabilities enable us to achieve wide-ranging outcomes by delivering convenience and accessibility to our customers, while driving increased efficiency, productivity and responsible consumption.

LKR 1.4 billion
Invested in Digitalisation

1,490
digital contact points

34%
Digitally enabled customers

19%
Virtually enabled customers

46%
Digital transactions

11%
Increase in digital adoption

SDGs IMPACTED

MATERIAL TOPICS M1 M2

- The economic crisis led customers and employees to face challenges with respect to mobility and accessibility.
- A greater focus on resource efficiency and sustainability owing to resource shortages and climate change.
- With the rise in digitalisation across society, threats to cybersecurity remain a key concern across organisations, particularly those with access to sensitive information.
- An increased need for productivity and automation amid the increase in employee migration.

CONTEXT FOR 2023

STRATEGIC PILLAR → **DIGITAL EXCELLENCE**

PRIORITY AREAS →

- Customer convenience and accessibility
- Process and infrastructure development
- Strengthening security

PRIORITY AREA 01:

CUSTOMER CONVENIENCE AND ACCESSIBILITY

BoC relies on a versatile range of digital channels and platforms to ensure its customers are able to access key banking functions from any location, at any time, with the added benefit of maximising the Bank's reach across the island.

Digital products and Services

BoC Cards

Online Banking platform

Mobile Banking app

Digital Pass Book

Digital fund transferring

International payment gateway

Agency Banking

WhatsApp Banking



Online apply via web



Cardless Withdrawal



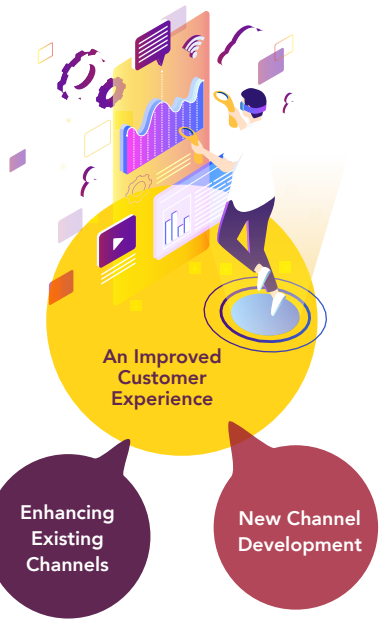
Self service banking



Smart zones



POS terminal





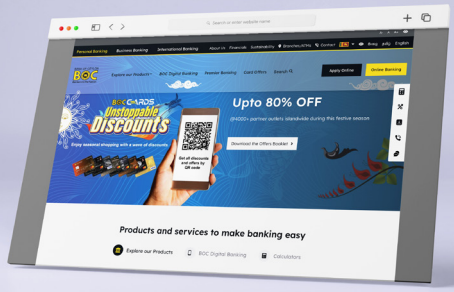
Enhancing Existing Channels

The Bank engaged in upgrading and improving its channels and platforms to ensure its customers receive a seamless, integrated and convenient experience across every digital interaction.

During the year under review, the Bank successfully revamped the BoC SmartPay app to improve the overall user experience and took further steps to initiate the process of revamping the Bank's mobile application and internet banking application. The Bank further expanded its digital touchpoints during the year under review.

A DIGITALLY EMPOWERED BANK

The Bank's website act as 24/7 digital storefront for its vast customer-base from any location. The website was revamped and launched during 2023, and includes the following features:



- An enhanced interface and significant improvements in the presentation of information
- Available in Tri-lingual (English/ Sinhala/ Tamil)
- High mobile responsiveness
- Accessibility features to facilitate the needs of the differently-abled aligned with CBSL and UN SDGs guidelines
- Products and services linked to the home page to improve accessibility
- Locally thematic design and appearance
- Branch network/customer touchpoints integrated with Google Maps
- Interest rate calculation for loans and deposit build-up through a newly-introduced calculator
- A separate page arranged for 'BoC Museum' with online reservation forms for museum visits

www.boc.lk

New Channel Development

The Bank continues to take a pioneering role in introducing new developments to the market, and relies on the combined strength of its Innovation Lab, Product Development and Business Process Re-engineering Project (BPRP), in addition to the Bank's Electronic Banking and Card Operations Teams.

CARDLESS Withdrawal

Available Services →
- Cash withdrawals
- Third party payments

Key Benefits →
- Essential and convenient facility in an emergency
- Ability to withdraw money even at the absence of issued debit card.

BOC META banking

Available Services →
- Credit card balance inquiries
- Remittance tracker
- Live Agent Chat
- Conventional product related inquiries
- CASA, loans and FD balance inquiry/mini statement, etc.

Key Benefits
- 24x7 access
- Secure and convenient banking
- Financial enquiries and other services
- Customer support availability over Live Chat
- Self-registration with NIC and mobile number (local and foreign)
- Non-BoC customers also can access services like rates, remittance tracker, locate near by BoC ATM's and branches.

PRIORITY AREA 02:

PROCESS AND INFRASTRUCTURE DEVELOPMENT

With the objective of increasing automation and driving efficiency and productivity throughout the Bank's operations, the Bank implemented a range of improvements. Overall, the Bank automated 28 workflows and engaged in upgrading its platforms, of which a number of key initiatives are listed below;

PROCESS IMPROVEMENT	OUTCOME/S	IMPACTED STAKEHOLDERS	OUTCOMES OF PROCESSES IMPROVEMENTS AND COMPLETED WORKFLOWS
Streamlining the incident response process	Significantly reducing the resolution time	Customers, Employees	**3.9 million** Papers Saved
Upgrading the Oracle Exadata Platform to the latest version	Accommodating IFRS systems databases Improving system performances Reduction of licensing costs	Customers, Employees	**1,265** Toners saved
Implementing Sri Lanka's first Software Defined Data Center (SDDC) with VMWare	Reduction in AC, power, space for physical servers Reduction of licensing costs Improving system performances	Customers, Employees	**1.2 million** CASA opened
Automation of customer related workflows	Significant reduction of the time taken for the processes Maintaining a greater level of accuracy Adhering to the internal and regulatory controls	Customers, Employees, Regulators	**365,803** Fixed deposits opened
Automation of routine security workflows	Reduction in turnaround time	Customers, Employees	**57,749** Loans facilitated

BOC BANKPEDIA

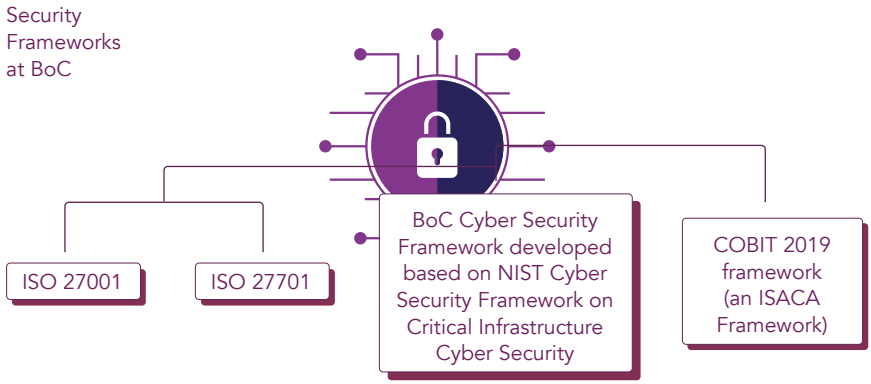
BoC Bankpedia

The Bank further relies on E-learning to drive organisational learning, and accordingly introduced BOC Bankpedia to serve as a comprehensive knowledge bank. BoC continues to build on its work-from-home capabilities to ensure business continuity and enhance productivity even amid disruptions in the environment.

PRIORITY AREA 03:

STRENGTHENING SECURITY

The Bank has appointed a Data Protection Officer (DPO) to oversee compliance with the Data Protection Act No. 9 of 2022. At present, the Data Protection Officer functions under the purview of the Chief Risk Officer.



The duties of the DPO at the Bank include overseeing the implementation and enforcement of data privacy measures to comply with the Data Protection Act in Sri Lanka. The DPO is actively involved in activities related to development of comprehensive policies and procedures for data handling with the aim of ensuring the secure handling of customer information. The DPO is additionally responsible for providing ongoing training to staff on data protection practices to improve the data protection posture of the Bank and conducts regular audits to assess compliance with the requirements specified under the Act. Furthermore, the DPO plays a crucial role in investigating and addressing any data breaches or privacy violations promptly, thereby upholding trust, transparency, and confidentiality in the Bank's operations.

Owing to the increased threat with respect to cybersecurity and the Bank's ongoing alignment with the newly implemented Data Protection Act, the following steps were taken in order to safeguard sensitive information and protect the organisation's stakeholders;

A DIGITALLY EMPOWERED BANK

Activity	Outcome
Deployed an advanced Data Leakage Prevention (DLP) solution	Monitoring and preventing unauthorised database access
Introducing a collaborative platform	Enabling real-time dissemination of information among the security teams
Implementation of deception technologies	Misleading and detecting any potential attackers
Swift user separation through the installation of firewalls	Enhancing data security
Implementation of advanced analytical tools	Enabling proactive threat detection and fast incident responses

Customer Privacy

GRI 418-1

No incidents of substantiated complaints concerning breaches of customer privacy took place during 2023.

No identified leaks, thefts or losses of customer data took place during the year.

Implementing Best Practices, Framework and Standards

As the Bank moves ahead in its digitalisation journey, it has recognised the value of IT, the management of inherent risks and the need for regulatory compliance. This requires a comprehensive IT governance model which consists of the necessary leadership, organisational structure and processes. IT governance is a crucial aspect of its overall governance framework, ensuring that technology is effectively leveraged to support business objectives while managing risks appropriately.

The Bank's 'Enterprise IT Governance Framework (COBIT 2019)' includes the following standards and best practices which are to be implemented:

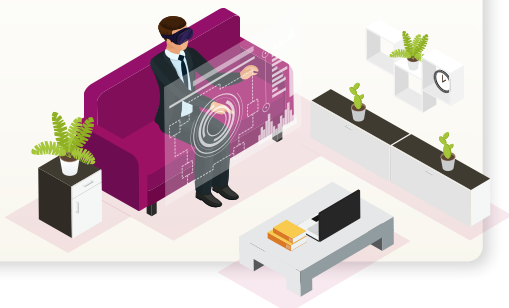
- Quality Management Systems (ISO 9001:2015 Standard)
- Service Management System (ISO 20000-1:2018 Standard)- IT Infrastructure Library (ITIL) Best practice
- Risk Management (ISO 31000:2018 Standard)
- Information Security Management System (ISO 27001:2013 Standard)
- Project Management Body of Knowledge (PMBOK)

Effective IT governance requires collaboration and coordination across different functions, including senior management, risk management, compliance, and IT teams. It is a continuous process of monitoring, evaluating, and adapting to changes in technology, regulatory landscapes and business priorities.

WAY FORWARD

- Revamping UI/UX interfaces and the user experience across the Bank's digital platforms.
- Expanding on existing solutions and developing new products to serve corporate customers.
- Developing a strong back-end to stabilise all core solutions and build an integrated platform that incorporates the Bank's key functions.
- Strengthening security utilising state-of-the-art firewall solutions, and conduct continuous upgrades and developments in consultation with industry experts and leaders.
- Utilising straight-through-processing and e-KYC to improve efficiency and security.
- Leveraging AI and data analytics to drive process efficiency and customer service.

Leveraging AI and data analytics to drive process efficiency and customer service.



A BEACON OF TRUST IN EVERYTHING WE DO



At Bank of Ceylon, we remain mindful of our impact across people and planet. Therefore, our operations are based on ensuring that we positively impact society, while mitigating our impact on the environment. We believe that in doing so, we can serve as a trusted entity that drives sustainable growth, while supporting the economy and guiding its stakeholders into a better future for all.

LKR 5.0 billion
Invested in Green Financing

LKR 1.1 billion
Disbursed after ESMS compliance

52
Branches with Solar Power

LKR 129.7 million
Community Investments

Four new 'BoC Gammana'

SDGs IMPACTED

MATERIAL TOPICS M2 M4

- Communities faced the dual impacts of hyperinflation and a volatile economy, thereby contributing towards the instability of businesses and livelihoods.
- The growing dangers and threats associated with climate change have intensified the need to account for social and environmental aspects in financial decision-making, particularly with respect to lending and investing.

CONTEXT FOR 2023

STRATEGIC PILLAR

STABILITY, GOVERNANCE AND SUSTAINABLE GROWTH

PRIORITY AREAS

- Improving Sustainability Governance
- Promoting Socio-economic Stability
- Carbon Neutrality and Impact Management

A BEACON OF TRUST IN EVERYTHING WE DO

PRIORITY AREA 01:

IMPROVING SUSTAINABILITY GOVERNANCE

BoC is driven by a core ambition to drive ESG principles across the organisation, and become the market leader in sustainable banking. The entity strives to achieve an impact that extends beyond mere profitability. Therefore, strong governance and control systems are in place to reinforce this commitment, maintain accountability for the Bank's actions and ensure a tangible, long-term positive transformation across its sphere of impact.

The Bank has further taken tangible steps to formulate a sustainability roadmap framework with the support of external consultants, thereby ensuring the strengthening of its governance frameworks and policies to match the international standards.

Responsible Partnerships and ESG Risk Management

In the course of the year, the Bank screened 1,223 loan facilities under the Consumer and Development Banking Division for Environmental & Social (E&S) criteria.

Loans totaling LKR 1.1 billion were disbursed during the year following assessments for ESMS compliance.

BoC's well-established ESMS policy adheres to ADB, AIIB, and CBSL guidelines, which stipulate that credit lines and loans with ratings of A, B, or C are subject to an E&S screening process.

During the year, the Bank maintained its pledge, not to support or fund initiatives that jeopardise biodiversity. Furthermore, the projects that apply for funding must first receive an Environmental Protection Licence (EPL) and prior clearance from the relevant authorities, in accordance with guidelines issued by the Central Environmental Authority (CEA) and specified in the National Environmental Act.

Number of officers trained for E&S Screening	1,126
Number of loans screened for ESMS compliance during the year	1,223
Value of facilities disbursed after confirming to ESMS compliance during the year (LKR billion)	1,145
Number of loans rejected during the year due to non-compliance with ESMS regulations	29

Additionally, when choosing suppliers, social and environmental factors are taken into account. For instance, the Bank assesses adherence to ISO standards with respect to machinery procurement, conformance with labour laws during the procurement of services, and compliance with prevailing environmental standards, including those concerning noise levels, carbon emissions, etc.

Capacity Building on Sustainability

Under the direction of the specialised ESMS Unit within the BoC's Independent Integrated Risk Management Division (IIRMD), and in accordance with the Bank's ESMS policy, BoC continues to fund its cadre's capacity development. In 2023, the Bank conducted several initiatives aimed at educating and increasing staff awareness. The Bank relied on both internal and external resources, as well as subject experts, to train and develop employees' awareness and capacity, while investing in obtaining professional qualifications pertaining to sustainability and digital transformation. The Bank's sustainability-related capacity building initiatives are conducted across the organisation, spanning the highest levels of Corporate Management to the Bank's credit officers and relationship officers.

Accountability and Disclosures

This is the Bank's 11th Integrated Annual Report, which incorporates external assurance of ESG/Sustainability data and adheres to global reporting frameworks and best practices.

For more information on the Bank's inclusion of ESG factors into the Company's disclosures, please refer 'About this Report' on page 104.

PRIORITY AREA 02:

PROMOTING SOCIO-ECONOMIC STABILITY

This Annual Report highlights the Bank's contribution towards national growth and stability in the face of exceptional obstacles. During the year, the Bank's tireless efforts fueled economic recovery, maintained macroeconomic stability, permitted the continuation of necessary goods and services, and stabilised the financial system in addition to providing prime banking services.

Supporting Macro-economic Stability

The Bank has consistently backed the Government's monetary policy execution, which aims to improve the nation's economic environment. Being the industry leader in remittances, the Bank prioritised and enabled vital foreign currency inflows into the nation. The Bank invests in the Government securities market and pays taxes and dividends to the Government, which helps fund its operations.

In 2023, the Bank further prioritised business continuity by ensuring its branches remained accessible and

USD 3.0 billion
Financing provided for energy sector

USD 130.3 million
Pharmaceutical imports facilitated

LKR 25.9 billion
Contributed to Government revenue as taxes and dividends

174
Businesses supported under the Bank's business revival schemes



LKR 27.6 billion
Disbursed to agriculture, food processing and dairy under development lending

USD 4.8 billion
Inward remittances facilitated

functional even in the face of significant constraints and disruptions within the operating environment. Access to financial services was maintained throughout the island with the Bank's extensive branch network, digital platforms, grassroots agent network, and mobile banking capabilities.

The Bank was involved in enabling the import of necessities including medical equipment, pharmaceuticals, LPG, and petroleum despite the nation's depleted foreign exchange reserves.

The organisation further leveraged on a range of initiatives to fuel the nation's economic recovery, particularly by continuing to assist customers affected by the crisis and promote the sustainability of their businesses by offering concessions, rearranging and rescheduling facilities, and allocating funds to the significantly impacted industries to aid in their recovery and resilience.

Infrastructure Development

BoC serves as a crucial source of funding for both public and private sector infrastructure development, including ground-breaking initiatives that raise living standards and stimulate the Sri Lanka economy. The Bank possessed an exposure of LKR 974.6 billion to infrastructure and construction projects as at the end of the year.

Community Development and Capacity Building

The Bank implemented year-round initiatives in 2023 to enhance financial literacy and increase the knowledge on the Bank's concessionary products and offerings among the staff and the customers.

The Bank's flagship initiative, 'BoC Gammana' continued to make strides during the year. The programme coordinates with various organisations and services to improve the health and welfare of the targeted communities, while providing holistic support for the community's environmental, social, and developmental requirements. These communities further received training from the Bank on financial literacy, and saving practices.

In addition, the Bank continued to be receptive to the demands of key societal groups, allocating over LKR 68.3 million to promote cultural and religious events, professional and entrepreneurial growth, and enhance the spheres of sports, education, healthcare, and science and technology. BoC staff members distinguished themselves as role models throughout the year by volunteering and planning community development initiatives in response to emergencies or urgent needs in their neighbourhoods. The Bank also formalised a way to calculate staff volunteer hours and encourage them to engage in volunteer work.

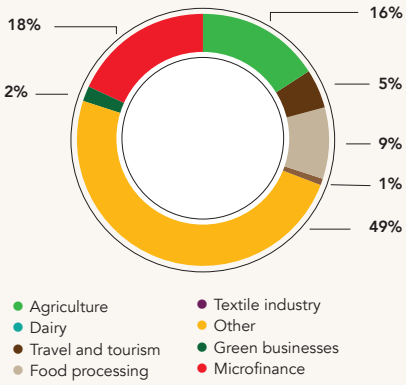
Development Lending

The Bank makes a significant contribution towards society through development loans, which upholds the entirety of supply chains, promotes entrepreneurship, generates and maintains jobs and aids in the industrial and rural growth of the nation.

A BEACON OF TRUST IN EVERYTHING WE DO

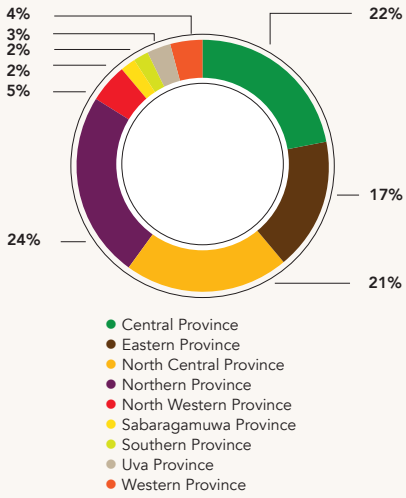
DEVELOPMENT LENDING PORTFOLIO

%



MITHURU GROUPS

%



BoC offers financial services to vulnerable groups and industries that have historically been underserved but are crucial to the continuity of Sri Lanka's economy. The Bank places a strong emphasis on social and financial inclusion as well as equitable development. Additionally, the Bank acts as a Participatory Financial Institute (PFI) for a number of concessionary credit lines that support vulnerable communities around the island, offer assistance to sectors hit by the crisis, and encourage the use of green technologies and enterprises.

The Bank encourages and finances MSMEs, cottage businesses and entrepreneurial endeavours through unique lending products and its popular microfinance programme, "BoC Mithuru".

Additionally, the Bank concentrates its efforts on enhancing the financing options available to female entrepreneurs and women-led businesses, thereby empowering thousands of women throughout the island to create and expand sources of income and livelihoods that will sustain them, their families and their communities.

Microfinancing 2023

LKR 11.0 billion
New microfinancing

32,115
Number of new microfinance loans

LKR 3.3 billion
Microfinancing to women-led businesses

13,252
Number of new microfinance loans to women-led businesses

Supporting Suppliers

The Bank continued to maintain partnerships with its suppliers, disbursing a total of LKR 8.6 billion to local suppliers (95% of total supplier payments) during the year.

PRIORITY AREA 03:

CARBON NEUTRALITY AND IMPACT MANAGEMENT

In line with the Government's focus on mitigating climate change, the Bank is at present taking conscious steps towards becoming a carbon-neutral entity, and minimising its carbon footprint on a year-on-year basis. The Bank's efforts in this regard, span sustainable financing, green financing, environmental conservation and minimising its footprint. The Bank reduced 28% of carbon footprint in 2023 on YoY basis while GHG emission intensity was also reduced from 3.3 to 2.3.

Minimising the Bank's Footprint

In light of its broad geographic reach and large customer base, BoC undertakes deliberate and coordinated steps to lessen its operational impact on the environment. BoC strives to accomplish this by encouraging sustainable practices throughout the Bank's value chain and integrating eco-friendly practices across all aspects of its operations.

In an attempt to integrate eco-friendly practices into its strategy and operations, the Bank cultivates a sustainability culture across every component of its business units and activities.

Employee training and awareness-raising initiatives are complemented by the Bank's sustainability pledge and the provision of specific financing plans for solar installation to staff members. As part of a novel approach to emphasise sustainability and increase staff involvement, the Bank launched home gardening initiatives at the branch level during 2022, which continued during the year 2023 also. Resultantly, 332 branches and 148 staff members actively cultivated local produce on the Bank's properties in 2023.

Energy Consumption

GRI 302-1/2/3

The Bank is dedicated to lowering its dependency on fossil fuels while boosting energy efficiency throughout its branch network and activities. In 2023, BoC's branch solarisation programme continued, with 52 branches equipped with photovaltic power and 21 branches undergoing solarisation. The Bank is working on a carbon management plan and finalising the carbon neutrality targets.

10
Awards for Green Buildings

01
Branches completed as per the Green Building concept

06
Branches are being reviewed for Green Building certification.

8%
of the branch network solarised

14%
of energy requirement of operations fuelled by renewable sources

3,245.3 MWh
Renewable energy generated

LKR 146.6 million
Investment in Solar

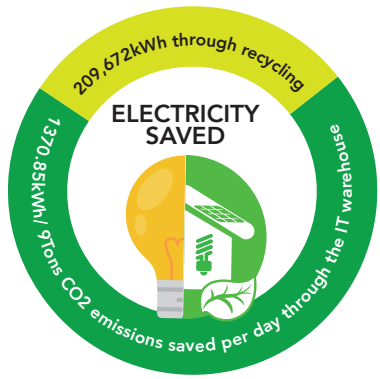
10.0 Mw
Solar capacity funded

The organisation has established policies and guidelines stipulating that any new construction projects the Bank undertakes must adhere to the Green Building Council's (GBC) Green Building standards. For consecutive years, the Bank is recognised with the "Green Business leadership award" from GBC for the commitment in Green Building compliance and commitment in going green.

At present, the Bank has commenced the procurement process for solarising 30 branches, and reviews in progress to convert branches into environment friendly buildings.

The Bank employs engineers certified by the GBC, while staff members certified by the National Cleaner Production Centre (NCPC) are employed within the Sustainability Unit. By investing in the development of green technology and energy efficiency capabilities, the Bank designated key personnel for external training and capacity building in 2023.

The GBC held the Annual Green Building Awards 2023, at which the Bank's accomplishments pertaining to solarisation and green building certification were honoured.



	2023	2022	% change
Electricity generated from renewable	14%	13%	1
Emission intensity (per millions)	0.05	0.04	25

GRI 302-1/302-4/305-4/303-5

	2023	2022	% change
Electricity (MWh)	22,730.0	25,301.4	(10)
Fuel (m3)	102.9	226.9	(55)
Solar energy (MWh)	3,245.3	3,219.3	1
GHG emissions (tCO2eqv)	19,708	27,332.7	(28)

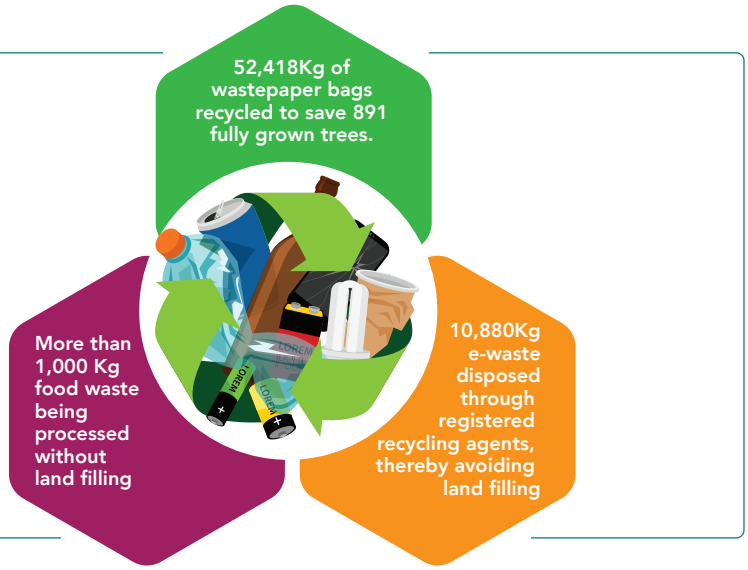
The Bank further took steps to minimise its electricity consumption by replacing its electrical appliances (lights, airconditioning, computers, etc.) with energy efficient appliances, while carrying out awareness sessions for staff members on energy saving and optimisation. New IT data warehouse is built to International Standards of energy saving and optimisation.

A BEACON OF TRUST IN EVERYTHING WE DO

Emissions

GRI 305- 1/2/3/4

The ISO 14064:1 standard for measuring and reporting greenhouse gas emissions serves as the basis for the Bank's assessment and disclosure of greenhouse gas emissions. The Bank completed a comprehensive Carbon Management Plan in 2022 and implemented new approaches to measuring, reducing, and managing BoC's carbon footprint during the year 2023 also.



Material Consumption

GRI 306-1/3/4

The Bank continued increasing the use of process automations, which boosted the Bank's push towards paperless banking. In conjunction with its strategic focus on digitalisation and the growing trend of customers using digital channels, the BoC is well-positioned to maintain these efforts in the years to come.

The Bank is dedicated towards minimising its consumption across the supply chain, by procuring environmentally friendly gift items and promotional materials. The Bank has taken tangible efforts towards reducing its plastic and polythene consumption. It has also minimised the usage of pet bottles in the corporate events and meetings.

The Bank separates all waste as solid waste or kitchen waste and food. The following efforts are taken with respect to solid waste management at the Bank:

Sustainable Financing

BoC strives to manage Environmental and Social (E&S) risks, prioritises E&S considerations in lending decisions, and actively supports socially inclusive and environmentally/climate-friendly projects, products and services through a variety of green financing credit lines and support services, all in accordance with the CBSL Roadmap for Sustainable Finance.

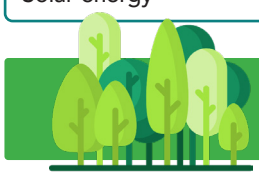
Green Financing

Concessionary funding options represent one of the innovative green finance efforts that BoC spearheads. These initiatives are designed to encourage both domestic and commercial customers to adopt clean technologies and renewable energy. The Bank continued to offer loans for biogas and solar power plants, as well as loans and leases for electric vehicle choices that lessen reliance on fossil fuels, thus contributing towards mitigating the impacts of climate change by reducing emissions.

LKR 478 million
disbursed for sustainable manufacturing

LKR 350 million
disbursed for waste management

Carbon reduction by our operational process	
Paper recycle (52,418 kgs)	59.9 tCO_2e
E-waste recycle	5.7 tCO_2e
Solar energy	1,338.3 tCO_2e



891 fully grown trees saved by paper recycle in the year 2023

Value of outstanding loans to the solar energy sector (LKR billion)	1.6
Number of outstanding loans to the renewable energy sector	13,575
Value of new facilities granted for green finance in 2023 (LKR million)	530.9
Number of new facilities granted for green finance	175

Less Plastic Initiative

Fulfilling its commitment towards advancing the sustainable development agenda, BoC partnered with the Marine Environment Protection Authority (MEPA) and the Coastal Conservation Authority of Sri Lanka in an effort to collect plastic and polythene waste, from selected locations across the island. Accordingly, BoC sponsored the cleanup of 6 marine sites around the country on World Environment Day 2023. Collected waste was sorted and sent for recycling with the support of registered plastic recyclers, resulting in a reduction of plastic waste that ends up in landfills.

Life to our beaches

During the year, BoC joined hands with Biodiversity Sri Lanka's 'Life to Our Beaches' programme, in collaboration with MEPA. As one of the founding members of the Biodiversity Sri Lanka, BoC has actively engaged in programmes to preserve nature and its biodiversity through many sponsored projects and getting stakeholders involved as well. The programme on 'Life to Our Beaches' is one such long- term project that focuses on cleaning and preserving a selected beach stretch at a time away from plastic and other pollutants.

Environment Conservation

The Bank is working on reducing the emissions related funding in the future. The Strategic plan of the Bank is focused on funding for the green growth in Sri Lanka. BoC is committed on greening the industries and decarbonisation of the businesses and industries. As an enabler, the Bank has funded more than 10.0 MW solar power for the community to achieve the renewable energy targets of the country. In addition to the above, the Bank is cautious about conducting operations without harming the environment or the biodiversity. We have considered the environmental factors as the key performance indicators and give equal priorities to drive an inclusive sustainable growth to everyone.

WAY FORWARD

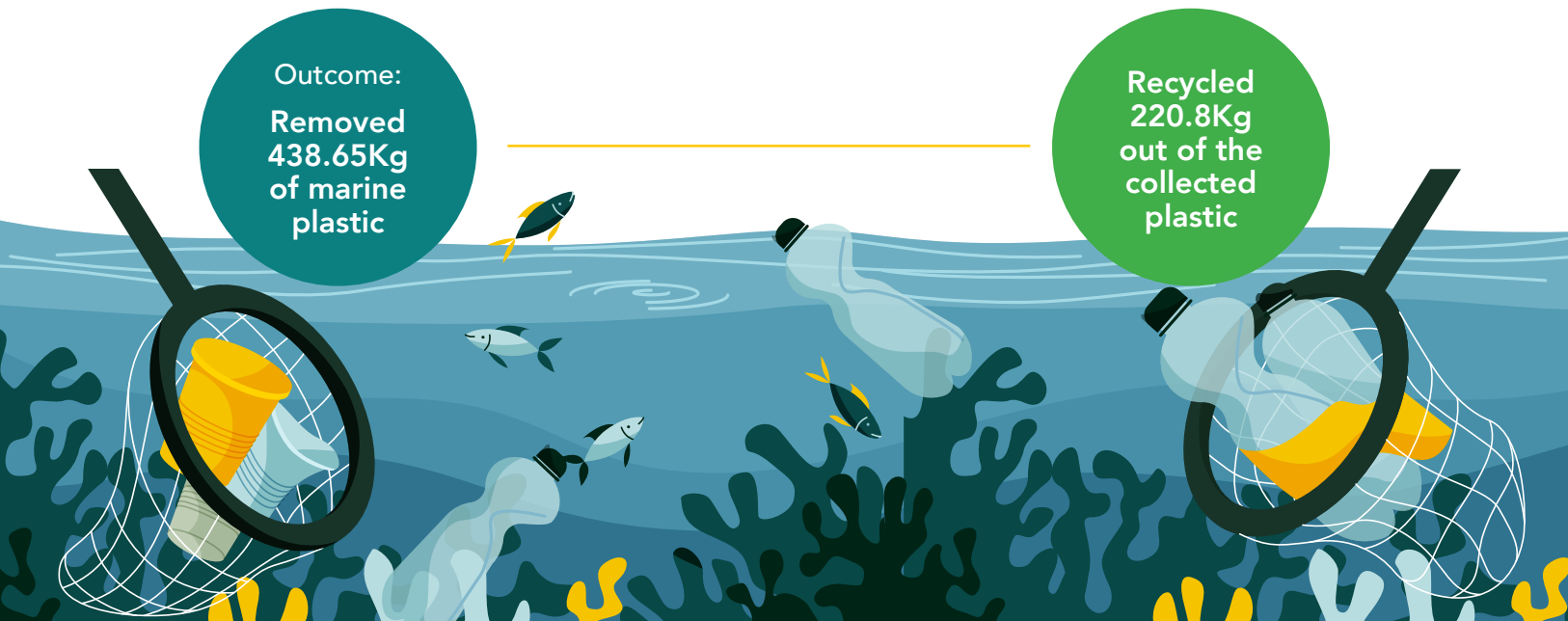
The Bank is in the process of establishing a sustainability roadmap with the support of third-party experts and consultants, with a long-term view towards developing sustainability within the Bank.

Prioritise the procurement of energy-efficient technology and equipment, such as IT infrastructure, office appliances, and lighting systems.

Consider the entire lifecycle of products and services during the procurement process including aspects related to raw material extraction, manufacturing, transportation, use, and end-of-life disposal.

Establish a preference to products and services with lower environmental impact and longer lifespans.

Establish criteria for suppliers, considering factors such as energy efficiency, waste management, labour practices, and adherence to environmental regulations.





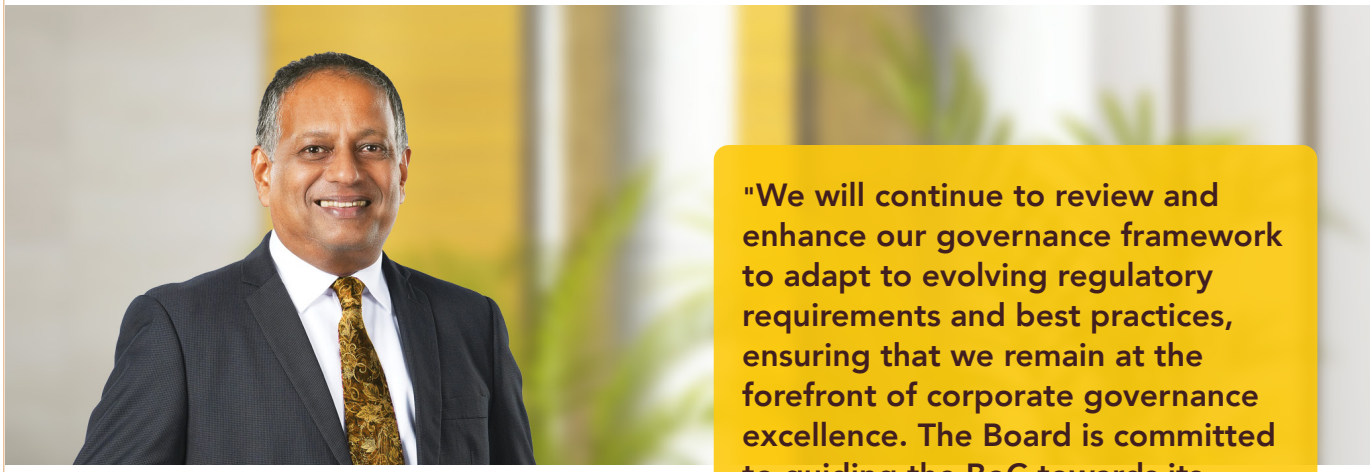
6

FORTIFYING FINANCIAL INTEGRITY WITH STRONG GOVERNANCE

Like the gravitational pull of the sun maintaining the orbits of celestial bodies, the Bank's robust governance structure provides the framework that facilitates the stability of the Bank.

We engage openly and transparently with all stakeholders through our governance processes to create a comprehensive and fair business model.

CORPORATE GOVERNANCE



"We will continue to review and enhance our governance framework to adapt to evolving regulatory requirements and best practices, ensuring that we remain at the forefront of corporate governance excellence. The Board is committed to guiding the BoC towards its digitalisation aspirations to offer state-of-the-art banking solutions to its customers."

INCOMING CHAIRMAN'S MESSAGE ON CORPORATE GOVERNANCE

Effective corporate governance is fundamental to the Bank's ability to deliver on its purpose and strategy. Our approach to corporate governance sets the foundation for the way we conduct our business and deliver value to our stakeholders. The performance and stability achieved by the Bank signify the value placed on aligning strategic priorities of the Bank with performance and the societal needs at large. The Board placed greater oversight on governance, financial stability, risk management and internal controls amidst a volatile and uncertain business environment to deliver sustainable value to all stakeholders.

During the year under review, significant initiatives were taken to strengthen the corporate governance framework, guided by the principles of fairness, transparency, independence and accountability. Our Board of Directors, comprising of experienced professionals are drawn from diverse backgrounds, who provides strategic oversight and direction, ensuring that our decisions are aligned with our values and long-term objectives.

We strive to foster a culture of integrity, professionalism, and ethical behaviour throughout the Bank, from the top tier to the frontlines. Our employees are our greatest asset, and we empower them to act with honesty, diligence and respect for all stakeholders.

In addition to our internal efforts, we engage with our shareholders, regulators, and other stakeholders to ensure transparency and accountability in our operations. Their feedback and input is greatly valued as it helps us to continuously improve our governance practices and strengthen our relationships with the communities we serve.

Way Forward

Looking ahead, the Bank is committed to upholding the highest standards of corporate governance and ethical conduct whilst remaining true to its ethos. We will continue to review and enhance our governance framework to adapt to evolving regulatory requirements and best practices, ensuring that we remain at the forefront of corporate governance excellence. The Board is committed to guiding the BoC towards its digitalisation aspirations to offer state-of-the-art banking solutions to its customers.

This report and the compliance annexures on pages 353-389 demonstrate the Bank's approach to governance in practice and continued compliance with corporate governance regulations and best practices. I wish to declare that the principles of good corporate governance are well integrated across BoC and all Directors and employees of the Bank have executed their duties and responsibilities in line with established policies and procedures as well as the Bank's guidelines for ethical business conduct.



Kavan Ratnayaka
Chairman

14 March 2024
Colombo

CORPORATE GOVERNANCE

OUR APPROACH TO GOVERNANCE

GRI 2-9

Our commitment to corporate governance is integral to our mission of delivering sustainable value to our stakeholders. The Board ensures that the governance framework supports the achievement of the Bank's strategic objectives while safeguarding the corporate values, reputation and assets and regularly reviews and updates this to be in line with the evolving regulations and best practices. BoC ventures beyond mandatory compliance and expands conformance practices across all areas of business, promoting responsible corporate behaviour, strengthening operations, addressing expectations of various stakeholder groups and eventually supporting sustained performance.

Our approach to governance is reflected through four key elements of the Bank's corporate governance framework: People, Processes, Purpose and Performance.

GOVERNANCE FRAMEWORK AND STRUCTURE

Governance Dimensions

People | Processes | Purpose | Performance

Founded on Our Values

Customer-centricity | Respect for diversity | Commitment to highest level of ethics, governance and professionalism | Focus on agility and innovation | Accountability for actions

Regulatory Requirements

- 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 and subsequent amendments
- Continuing listing requirements of the Colombo Stock Exchange
- Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021

Internal Frameworks

- Corporate Governance Policy incorporating among others
  - 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

Voluntary Compliance

- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka
- GRI Standards issued by the Global Reporting Initiative
- IR Framework issued by IIRC
- COBIT 2019 framework issued by ISACA
- ISO 27001
- Sustainable Development Goals (SDG's)

Governance Structure



PEOPLE MAINTAINING A WELL-BALANCED BOARD



Composition of the Board

The Board of Directors now consists of six Directors who bring a diverse mix of skills, experiences, and expertise. All six Directors serve in a non-executive capacity, while five of them are independent. A representative of the ministry in charge of the subject of finance holds an Ex-officio position on the Board. The composition of the Board is established in the Ordinance, and the relevant Minister responsible for state banks appoints the Directors. A skilled Corporate Management Team supports the Board, and their expertise underpins the Bank's ability to deliver on its strategy.

Independence

Assessment of independence of Directors follows the guidelines set forth by the CBSL. The Board is satisfied that there are no relationships or circumstances likely to affect or appear to affect, Directors' independence during the period under review.

Roles and responsibilities

GRI 2-11 | 2-12

As the highest governing body of the Bank, the Board provides strategic and entrepreneurial leadership and sets the appropriate values and standards to align with BoC's strategic vision and principles of good governance. Apart from this, the Board remains the main authority responsible for proper governance and oversight of key aspects of the business.

The Bank ensures 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.

Role of Chairman

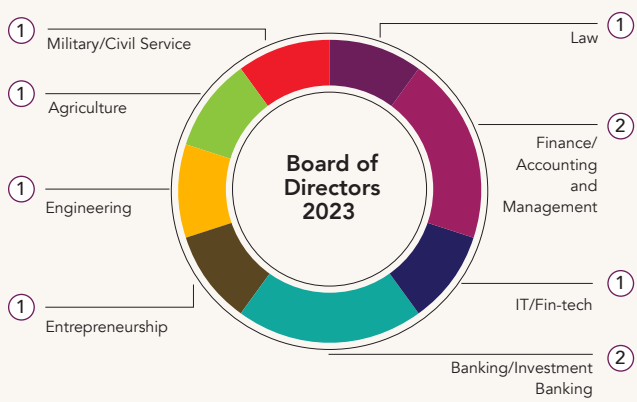
- Providing leadership to the Board.
- Promoting a culture of good governance practices and maintaining the standard of integrity.
- Fostering a culture of inclusivity by encouraging the expression of diverse views by Board members and ensuring the participation of all Directors during discussions.
- Ensuring compliance to all applicable laws and regulations.
- Ensuring shareholder concerns are appropriately addressed.

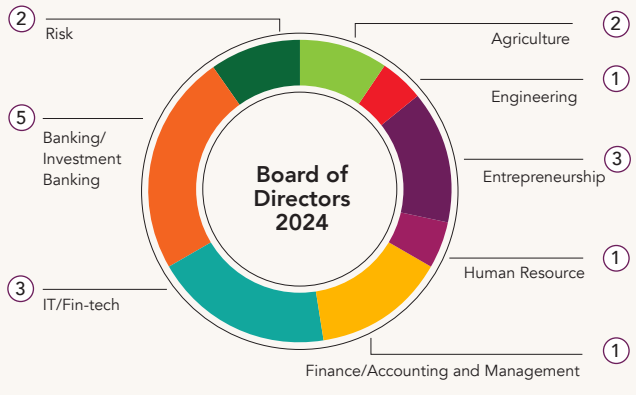
Role of the General Manager

- Execution of the strategic agenda set out in the Bank's Strategic Plan in line with the financial and non-financial targets set by the Board.
- Monitoring and reporting the Bank's performance to the Board.
- Implementing a system including internal controls and audits to identify and manage risks that are material to the business of the Bank.
- Development of the succession plan for the Senior Management.
- Building a culture that is based on the Bank's values.

STRENGTH IN DIVERSE SKILLS AND EXPERIENCE

Nos.





CORPORATE GOVERNANCE

Delegation of authority

GRI 2-13

Delegation of authority to Board Subcommittees, allows the main Board to allocate sufficient time to matters reserved for its decision making, while ensuring delegated matters receive detailed attention. It also allows the Board to capitalise on the specific expertise of individual Board members. The committees are governed by Board approved mandates and Terms of References. 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 Corporate 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.

Board Subcommittees

Board Subcommittee	Area of oversight
Audit Committee (AC) (Report of the Committee on pages 122 and 123)	• Internal and external audit • Internal controls • Financial reporting and compliance
Human Resources and Remuneration Committee (RC) (Report of the Committee on pages 126 and 127)	• Remuneration policy • HR Policy • Goals and targets for Key Management Personnel • Performance evaluation
Nomination and Corporate Governance Committee (NC) (Report of the Committee on pages 128 and 129)	• Assessment of fitness and propriety of Key Management Personnel • Code of Ethics • Effectiveness of the Board and its subcommittees • Corporate Governance
Integrated Risk Management Committee (Report of the Committee on pages 124 and 125)	• Risk management including credit, market, operational, liquidity, cyber/ IT, Strategic risks, ESG risk • Ensuring compliance with the risk management policy framework and laws and regulations
Information and Communication Technology Committee (Report of the Committee on pages 130 and 131)	• Oversight responsibility for IT products, services, policies, practices and infrastructure

Executive Committees

Assets and Liabilities Management Committee (ALCO)	Corporate Management Committee	Internal Capital Adequacy Assessment Process (ICAAP) and Recovery Plan (PCP) Steering Committee	Scholarships Committee
Branches Division Credit Committee	Corporate Strategies Review Committee	Investment Committee	Steering Committee of tvBOC
Business Continuity Coordinating Committee	Credit Committee	IT Steering Committee	Sustainability Committee
Business Continuity Implementation Committee	Damage Assessment and Restoration Committee (DARC)	Marketing Committee	Technical and Operational Committee
Business Continuity Management Steering Committee (BCMAC)	Foreign Currency Outflow Management Committee	Non-Performing Assets Review Committee (NPAC)	Working Committee of tvBOC
Committee Dealing with Operational Losses	Fraud Risk Management Committee	Operational Risk Management Executive Committee	
Committee for Investment in Government Securities	Human Resource Policy Committee (HRPC)	Reward and Recognition Policy Committee (RRPC)	
Corporate Information Security Committee	Idle Assets Committee	Scholarship Programme Selection Committee (Review Committee)	

COMPANY SECRETARY

The Company Secretary/Secretary to the Board performs a major role in ensuring that good governance practices are maintained within the Bank at all times. Each member of the Board has access to the advice and services of the Secretary to the Board for matters relating to Board procedures and any clarification on applicable rules and regulations.

- Plays a key role in implementing the Bank's Corporate Governance Framework
- Ensures that Board procedures are followed in line with applicable laws, rules and regulations
- Regularly reviews the Bank's governance framework in view of emerging best practices, regulatory changes and stakeholder interests
- Setting the agenda of Board meetings with the approval of the Chairman

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.

BOARD REFRESHMENT

GRI 2-10

The Board is refreshed periodically through new appointments, retirement and resignation. Board refreshment allows for the introduction of members with new skills, insights, and perspectives, while retaining valuable industry knowledge and maintaining continuity.

Appointment	Retirement/Resignation
Appointments to the Board are made by the Minister responsible for state banks. Once the criteria for fitness and propriety are verified against the Bank's internal policy, approval of the Central Bank of Sri Lanka is sought for the new appointments. Under the new Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, the SEC also gives its consent for the new Board appointments.	Any resignations or removals of Directors are also brought to the attention of the same Minister, while the CBSL, SEC and Colombo Stock Exchange (CSE) are kept informed of any changes to the Board.
Appointments during 2023	Resignations during 2023
• Mr Naresh Abeyesekera • Prof. Kithsiri M Liyanage	• Mr A C Manilka Fernando • Mr Harsha Wijayawardana
Appointments during 2024	Resignations during 2024
• Mr Kavan Ratnayaka • Mr Jehaan Ismail • Mr Jayamin Pelpola	• Mr Ronald C Perera PC • Major General (Rtd.) G A Chandrasiri VSV

CONFLICT OF INTERESTS

GRI 2-15

A Board approved policy on Conflict of Interest is in place, which is reviewed each year. 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.

MEETINGS AND ATTENDANCE

The Board uses its meetings to discharge its duties and monitor the strategic direction and approach to risk management.

Frequency

- At the start of each year, the calendar is set for Board meetings and subcommittee meetings and notice is given to directors

Agenda and Board papers

- Secretary to the Board sets the agenda under the authority delegated by 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

Notice

- 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

Meetings

- Discussion of performance updates, governance matters and recommendations from subcommittees including risk reports
- Members of the management team are invited for Board meetings to provide additional clarifications if required

Post meeting

- The 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

CORPORATE GOVERNANCE

Board and Subcommittee meeting attendance during 2023

The Board held 22 meetings during the year and attendance at these meetings is given below.

Name of Director	Board meeting	Audit Committee meeting	Human Resources and Remuneration Committee meeting	Nomination and Corporate Governance Committee meeting	Integrated Risk Management Committee meeting	ICT Committee meeting
Mr Ronald C Perera PC Chairman	22/22	-	-	-	3/7	-
Mr R M Priyantha Rathnayake Ex-officio Director	22/22	12/13	2/2	10/10	7/7	12/12
Major General (Rtd.) G A Chandrasiri VSV Non-Executive Director	20/22	9/13	2/2	10/10	4/7	11/12
Prof. Kithsiri M Liyanage Non-Executive Director[1]	17/17	-	1/1	6/6	-	12/12
Mr Naresh Abeyesekera Non-Executive Director[2]	16/16	8/8	-	-	3/3	12/12
Mr A C Manilka Fernando Non-Executive Director[3]	6/6	5/5	1/1	4/4	-	-

1. Appointed w.e.f 31.03.2023 2. Appointed w.e.f 04.05.2023 3. Resigned w.e.f. 21.04.2023

BOARD INDUCTION AND DIRECTOR TRAINING

Our induction programme is tailored to suit the needs, skills and experience of each new member of our Board. The programme prepares new Board members for their role with BoC, recognising the importance of supporting Directors in meeting their statutory duties, understanding the strategy of the Bank, and engaging them with the decision makers and leaders of the Bank's day-to-day operations.

Induction packs

Include an overview of the Bank, details on the governance framework regulatory frameworks, and details of the Corporate Management team and Board support framework, among others.

Presentations

A presentation by the General Manager details the Bank's history, business model, organisational structure, business verticals, and support functions.

Meetings

One-on-one meetings and departmental visits are scheduled as necessary or on request.

Beyond the initial induction, Directors are encouraged to receive comprehensive updates and training on various topics including changes to applicable laws and regulations, changes to standards and codes and emerging trends in the operating landscape, which allow them to obtain the knowledge required to effectively discharge their responsibilities. During the year, the Directors participated in a training on Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT).

The Policy for Directors' Access to Independent Professional Advice also provides an opportunity for external expert input at the Bank's expense.

PROCESSES – ESTABLISHING EFFECTIVE CONTROLS

Policy framework

GRI 2-23 I 2-24

At BoC, we are committed to operating in accordance with a robust policy framework that governs our activities, guides our decision-making processes, and ensures alignment with our strategic objectives, regulatory requirements, and ethical standards. Our policy framework encompasses various areas of our operations, including risk management, people management, IT governance and sustainability management. The framework is regularly reviewed and updated to ensure alignment with changing internal and external factors.

Policies are documented in a clear manner, ensuring that all employees and other relevant parties can easily refer to the policies whenever needed and effective channels of communication are used to introduce and explain policy commitments.

The following is an overview of key policies that form the foundation of our operations.

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

Information Technology Management

- E–Waste Management Policy
- Information Security Policy
- Vulnerability Management Policy

People Management

- Human Resource Policy
- Training and Development Policy
- Scheme of Recruitment
- WFH Policy
- Exit-interview Policy
- Anti-bribery and Corruption Policy

Sustainability Management

- ESMS Policy
- Governance Policy
- Communication Policy
- Customer Complaint Handling Policy and Procedures

Risk Oversight

The Board bears the overall responsibility of formulating a 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. Key focus areas addressed during the year are discussed in detail in the Risks and Opportunities report (pages 132 to 148), Report of the Audit Committee (pages 122 to 123) and IRMC Report (pages 124 to 125).

Risk related functions

- Approval of the Bank's risk appetite
- Regularly assess the principal risks facing the Bank
- Review of risk appetite dashboards and performance against defined parameters at the IRMC meetings
- Ensure that mitigating tools are in place to effectively address these risks

Governance of overseas operations

The Bank has overseas operations in three countries through overseas branches and a fully-owned subsidiary in UK, which are established under the clearance received from CBSL and relevant authorities in those countries. These branches comply with and are monitored by the relevant authorities in their respective countries.

The overseas branches are governed through an "Overseas Branch Charter" which is supervised under the dedicated Assistant General Manager Division. The overseas branch unit reports their performance quarterly to the Board of Directors of the Bank and all strategic level decisions are also escalated to the Board for approval. When appointing CEOs for the overseas branches, approval of the CBSL has to be obtained along with approval from relevant authorities in that country. Compliance, audit and performance are monitored through the BoC Head Office by special audit. The National Audit Office also reviews and conducts audit procedures covering those branches in line with annual audit of the Bank. Furthermore, external auditors in the country of operation also conduct independent audits as per the relevant regulations.

Policies introduced 2023

- Cybersecurity Policy
- ECL Model Validation Policy
- Policy of Engagement of External Auditor to provide Non-Audit Services

IT Governance

The Board is committed to safeguarding the Bank's information assets and operational systems and invests extensively in cybersecurity and management systems. 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.

By implementing robust IT governance processes and controls, BoC aims to optimise the value of its IT investments and achieve its strategic objectives in an increasingly digital and competitive environment. The Bank has also appointed a Chief Information Security Officer, in order to implement the Cybersecurity Risk Management Policy. During the year, the Bank worked towards further strengthening its IT governance protocols by laying the initial groundwork to implement the COBIT 2019 Framework and increasing the investments in IT infrastructure, access controls and data loss prevention controls among others.

CORPORATE GOVERNANCE

Compliance

GRI 2-27

BoC has a statutory obligation in terms of the Banking Act and CSE Listing Requirements to comply with regulations, and proactively monitor and assess regulatory developments to determine their applicability and impact on the Group. The Board stays informed about changes in laws, regulations, and industry standards that may impact the Bank's operations and monitors regulatory developments to assess any potential impact on the Bank's compliance obligations and risk exposure. The Board receives regular reports from the Head of Compliance and management on the Bank's status of compliance, including any regulatory violations, enforcement actions, or emerging compliance issues.

For further details please refer pages 353 to 389 of this Annual Report.

COMMUNICATION OF CRITICAL CONCERNS

GRI 2-16 I 2-25

A number of mechanisms have been established to facilitate communication of critical concerns to the Board as follows.

- Meetings of the Board and subcommittees: Critical concerns may be raised through the relevant subcommittees to the Board or via the General Manager.
- Whistle-blower in policy.
- Secretary to the Board: As a conduit between the management and the Board.

PURPOSE – DRIVING ACCOUNTABILITY, TRANSPARENCY AND INTEGRITY

Value-based culture

GRI 2-25

The Board sets the tone at the top to build a value-based culture within the Bank to foster alignment, cohesion, and shared purpose among employees. BoC's core values are communicated to all employees through various channels, including corporate meetings, internal communications, and training sessions. Furthermore, these values are embedded into key business processes, such as performance management, recruitment, and recognition programmes.

The following frameworks facilitate the propagation of such as a culture, acting as a blueprint for the responsible and ethical behaviour expected from employees.

Code of Conduct and Ethics

- Directors' Code of Ethics

  The Board is bound by the Code of Business Conduct and Ethics and is 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

  This is applicable to all employees and clearly sets out the Bank's expectations in dealing with internal and external stakeholders, behaviour, bribery and corruption.

Whistleblowing Policy

Purpose	Communication	Investigation
A Board-approved Whistle-blowing Policy encourages internal and external stakeholders 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, whilst providing reassurance on confidentiality.	Any stakeholder can voice their concerns/complaints in person, via post, email, phone, fax, website, call center or Facebook chat. Complaints are directed to, 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.	• The relevant authority undertakes an initial review of the complaint received based on the information provided by the complainant and requests for any additional information if required. • After the initial assessment work is carried out to resolve the concern as early as possible and if further investigation is required the complainant is notified. • The complaint should be resolved within 21 calendar days.

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.

Instances of Non-compliance

Date, the penalty imposed	Date of Payment	Type of Penalty	Reasons for the Penalty	Amount (LKR)	To which Law the Penalty imposed for Non-compliance
07.11.2023	21.11.2023	Administrative	Failure to obtain prior approval when entering to business relationships with several politically Exposed Persons	6,000,000.00	Rule 59 of the Financial Institutions (Customer Due Diligence) Rules, No 1 of 2016 published in the Extraordinary Gazette No 1951/13, dated 27 January 2016
			Failure to comply with targeted financial sanctions without delay		Regulation 4(7) of UN Regulations No.01 of 2012

- During the year under review, there were no monetary losses arising as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations other than the instant mentioned above. As a proactive measure, the Bank implemented several system controls and monitoring processes to ensure adherence to guidelines related to Politically Exposed Persons(PEPs) stipulated in the Financial Transactions Reporting Act, No. 06 of 2006 (FTRA).

- System features and controls have been improved to sanction screening promptly to ensure compliance with regulatory requirements. Awareness levels of the staff were also enhanced through special trainings in order to equip the staff with the necessary due diligence and skills to understand, assess and handle the potential risks associated with PEPs.

Responsible corporate citizenship

The Board is responsible for approving the Bank's strategic direction and ensuring that it aligns with principles of responsible corporate citizenship. This includes considering the Environmental, Social, and Governance (ESG) implications of strategic decisions and balancing the interests of various stakeholders. The Board provides oversight on all sustainability-related matters while responsibility for implementing the policy lies with a Sustainability Committee, which is chaired by the General Manager. The Board holds the management accountable for achieving ESG-related goals and targets.

The responsibilities of the Sustainability Committee include the following.

- Taking every Sustainability (ESG) decision of the Bank
- Checking for the compliance of the CBSL Road Map
- Approving sustainability related projects
- Granting approvals to the A category ESMS approvals for the credit facilities
- Ultimate administrating authority for Sustainability Assurance, ESG Standard Compliance and Environment and Social Risk related decisions

Actions taken to support ESG oversight in 2023

- Appointment of an ESG consultant to assess the Bank's current ESG performance and develop tailored strategies to improve ESG performance and align with global standards and best practices.
- Obtaining external assurance report from Messrs. KPMG for sustainability reporting
- Following the guidance on ESG reporting issued by Colombo Stock Exchange (CSE)

CORPORATE REPORTING

The Board holds apex responsibility for ensuring the accuracy and integrity of all external reports including the Annual Integrated Report and Annual Financial Statements, which are approved by the Board prior to publication.

This Integrated Annual Report provides a balanced assessment of the Bank's financial and non-financial position, performance and prospects, in compliance with applicable laws and voluntarily adopted reporting standards, codes and frameworks set out on page 05. Assurance has been obtained by external auditors to enhance credibility.

CORPORATE GOVERNANCE

STAKEHOLDER RELATIONS

The Board understands the importance of engaging with stakeholders, including shareholders, employees, customers, suppliers, communities, and regulators, to understand their concerns and perspectives on matters related to the Bank. This dialogue helps the Board make informed decisions and prioritise actions that contribute to responsible corporate citizenship. The Bank's Communication Policy provides guidance on maintaining effective and relevant communication with internal and external stakeholders and is reviewed by the Nomination and Corporate Governance Committee.

Key engagement mechanisms and responses of the Bank to matters raised are provided in the 'Stakeholder Needs and Expectations' section on pages 49 to 52.

PERFORMANCE – CREATING VALUE THROUGH GOOD GOVERNANCE

THE BOARD'S CONTRIBUTION TO VALUE CREATION

Area of focus	
Strategy and purpose	Formulation and implementation of the Bank's strategic plan. Refer pages 57 to 60 for the performance against strategy.
	Effective use and discharge the duties of Board Subcommittees. Refer pages 114 to 116 for Board Subcommittee meetings held and duties discharged in 2023.
	Proactively identifying and mitigating potential impacts of economic developments including rising interest rates, foreign currency liquidity pressures, elevated inflation and regulatory changes among others. Refer pages 44 to 48.
	Increased engagement and greater deliberations of issues relating to the protection and revival of vulnerable sectors of the economy. Refer pages 84 to 97.
Governance, controls and compliance	Reviewing the Bank's Corporate Governance Policy.
	Introducing new policies/frameworks to strengthen the governance and control environment of the Bank.
	Evaluation of the annual budget, major capital expenditure, financial delegation and other Board functions.
	Ensuring compliance with laws, regulations and ethical standards.
	Considering stakeholder interests in decision making.
	Providing leadership to responsible business practices and the Bank's sustainability agenda.
	Strengthening IT controls through investments in advanced security infrastructure.
	Increased focus on digitalisation.
Monitoring and reporting	Monitoring periodic financial performance reports, KPI and budget achievements.
	Reviewing and approving interim and annual financial statements for publication.
	Ensuring the integrity of financial information, internal controls, risk management and business continuity.
Retention of human capital	Succession planning for Key Management Personnel (KMP).
	Discussions on measures to support employees' financial security given the rising cost of living.
	Developing a future-ready workforce equipped with the necessary digital skills.

Monitoring Board performance

The Bank has a structured process for assessing Board effectiveness through a self-appraisal mechanism. Each Director is required to complete a performance evaluation form, subsequent to which responses are aggregated and presented to the Board. Subcommittees also carry out a similar evaluation.

The Board evaluates the performance of the General Manager (GM) and KMP annually, based on the financial and non-financial targets outlined in the Strategic Plan. The Human Resources and Remuneration Subcommittee supports the Board in this endeavour. The criteria are agreed with the GM/KMP at the beginning of the year, ensuring clarity in the Board's expectations. The appraisal takes into consideration dynamics in the operating landscape as well as feedback received from the appraisee.

How we assessed Board effectiveness in 2023

- Bank's process for assessing board effectiveness is meticulous and comprehensive.
- Utilising an evaluation sheet covering all Board member functions, feedback is gathered via a comprehensive format.
- Percentage calculations and accompanying comments provide transparent insights into performance areas.

REMUNERATION

Remuneration Policy

The Bank's Remuneration Policy is a critical component of its human resource management and governance framework, which aims to ensure that the team has the resources to drive the Bank's strategic aspirations, and are duly recognised and rewarded for their contribution towards value creation. The policy takes into account various factors such as performance, market competitiveness, regulatory requirements, and alignment with the Bank's strategic objectives.

Remuneration Principles

- Competitive
- Equitable
- Transparent
- Inclusive

Remuneration Structure

Directors' remuneration is determined by the Directors' Remuneration Policy which reflects the particulars of the circulars and letters issued by the Government of Sri Lanka and the particulars of the Ordinance and its amendments. No Director is involved in determining his/her remuneration.

Remuneration for the General Manager and Key Management Personnel are based on the Board-approved Remuneration Policy for KMP's. The Board HR and RC makes recommendations to the Board on the GM/KMP remuneration, based on which the Board approves and provides feedback to the relevant Minister, who grants final approval in accordance with the provisions of the Ordinance and its amendments. The remuneration of the GM and KMP are reviewed every three years.

Key elements of the Bank's remuneration composition

Fixed pay	Variable pay	Benefits and perquisites
• Base salary and other fixed components, determined on role and employee grade	• Incentive bonus	• Post-employment benefits • Loans under special schemes • Re-imbursement of medical bills

For details of Directors' remuneration, refer page 200 for details of remuneration of KMP. The report of the Human Resource and Remuneration Committee is on pages 126 and 127.

AUDIT COMMITTEE REPORT

Committee Composition during 2023

1. **Mr A C Manilka Fernando ***
   Chairman/ Independent Non-Executive Director
2. **Mr Harsha Wijayawardana****
   Member/ Independent Non-Executive Director
3. **Mr R M Priyantha Rathnayake**
   Member/ Non-Independent Non-Executive Ex-officio Director
4. **Major General (Rtd.) G A Chandrasiri VSV**
   Member/ Independent Non-Executive Director

Note:
* Ceased to be a Director w.e.f. 21 April 2023
** Ceased to be a Director w.e.f. 13 January 2023

Pursuant to the reconstitution of the Board in May 2023, the following Directors constituted the Audit Committee w.e.f. 05 May 2023:

1. **Mr Naresh Abeyesekera**
   Chairman/ Independent Non-Executive Director
2. **Mr R M Priyantha Rathnayake**
   Member/ Non-Independent Non-Executive Ex-Officio Director
3. **Major General (Rtd.) G A Chandrasiri VSV *****
   Member/ Independent Non-Executive Director

Note:
*** Ceased to be a Director w.e.f. 07 January 2024.

Pursuant to the reconstitution of the Board in February 2024, the following Directors constituted the Audit Committee w.e.f. 19 February 2024:

1. **Mr Naresh Abeyesekera**
   Chairman/ Independent Non-Executive Director
2. **Mr R M Priyantha Rathnayake**
   Member/ Non-Independent Non-Executive Ex-Officio Director
3. **Prof. Kithsiri M Liyanage**
   Member/ Independent Non-Executive Director

Secretary to the Committee

The Secretary, Bank of Ceylon/Secretary to the Board, Janaki S Siriwardane who is an Attorney-at-Law and a Senior Deputy General Manager, functions as the Secretary to the Committee.

Regular participants

- Chief Internal Auditor
- Chief Risk Officer
- Chief Financial Officer
- Deputy General Manager (Finance and Planning)
- Deputy General Manager (Compliance)
- Assistant General Manager (Operational Audit)
- Assistant General Manager (Investigations)
- Assistant General Manager (Credit Audit)
- Assistant General Manager (Information Systems Audit)
- Internal Auditor
- Representative of the Auditor General (The External Auditor of the Bank)

Attend upon invitation

- General Manager
- Any other member of Corporate or Executive Management/ Any other Staff Member

Meetings held in 2023: 10
(Attendance given on page 116 of this Report)

Quorum:  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 2023

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 updated for 2023.
- 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 as well as the adequacy of the Department's resources.
- 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, Audit Charter and Audit Committee Charter.
- Reviewed the implementation process of the COBIT (IT Governance Framework)
- Improved the Whistle Blowing System of the Bank, enabling the complaints to be submitted directly through the online web portal of Bank of Ceylon under Whistle Blowing category of the feedback section which is directly accessible to the Chief Internal Auditor of Bank of Ceylon.
- 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.
- 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

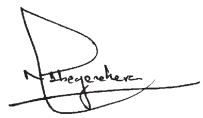
- The external audit of the Bank is carried out by the Auditor General in terms of the Constitution of the country. This year the Auditor General was assisted by M/s. Ernst & Young, Chartered Accountants in the audit of the Bank. The Committee ensured that the external audit is carried out effectively 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 2024 and beyond.

The Committee wishes to place on record an appreciation for Mr A C Manilka Fernando (Chairman), Mr Harsha Wijayawardana and Major General (Rtd.) G A Chandrasiri VSV, members of the Committee for the invaluable contribution made to the Committee.

On behalf of the Audit Committee.



Mr Naresh Abeyesekera

Chairman,

Audit Committee

19 February 2024

Note : With the appointment of new members to the Board, Mr Jehaan Ismail, Independent Non-Executive Director, has been appointed as a member of the Committee.

INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

Committee Composition during 2023

The composition of the committee during the year 2023 was as follows:

1. **Mr R M Priyantha Rathnayake**
   Chairman/Non-Independent Non-Executive Ex-officio Director
2. **Mr Ronald C Perera, PC**
   Member/Independent Non-Executive Director
3. **Major General (Rtd) G A Chandrasiri VSV**
   Member/Independent Non-Executive Director*
4. **Mr Naresh Abeyesekera**
   Member/Independent Non-Executive Director Appointed w.e.f 09.05.2023

Note

* Major General (Rtd) G A Chandrasiri VSV ceased to be a Director w.e.f 07.01.2024 with the ending of his term of office on the Board of Bank of Ceylon.

Secretary to the Committee

The Secretary, Bank of Ceylon/ Secretary to the Board, Janaki S Siriwardane who is an Attorney-at-Law and a Senior Deputy General Manager, functions as the Secretary to the Committee.

Regular participants

- General Manager
- Chief Risk Officer
- Chief Internal Auditor
- Deputy General Manager (Compliance)
- Chief Information Security Officer

Any other members of the Board/ Corporate Management/ Executive Management any other Staff Member invited by the Committee.

Meetings held in 2023: 06
(Attendance given on page 116 of this Report)

Quorum: members

ROLE OF COMMITTEE

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.

This includes reviewing and/ or recommending the following which are identified in the Charter of the Integrated Risk Management Committee:

- Policies, programmes and Management Committee Charters relating to risk management and compliance.
- Risk limits and policies that establish appetite for credit, market, liquidity, operational, information security and other risks, as recommended by the Chief Risk Officer.
- Adequacy and effectiveness of all Management level committees to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.
- Risk management reports on the risk profile of the Bank including overseas branches and subsidiaries, as well as current market and regulatory risks and actions undertaken to identify, measure, monitor and control such risks.
- Corrective action to mitigate the effects of specific risks in case such risks are beyond the prudent levels decided by the Committee on the basis of the Bank's policies and regulatory and supervisory requirements.
- Adequacy and effectiveness of risk identification, measurement, monitoring and mitigation relating to credit, market, liquidity, operational, Information Security and compliance risks.

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 2023

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 procedures - All policies related to risk, including foreign branch policies were recommended to the Board with relevant changes requested by either business or regulatory needs

for the approval of the Board. Reviewed and revised the Terms of Reference of all Management level Committees dealing with specific risks or some aspects of risk. Effectiveness of all management level 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.

Liquidity

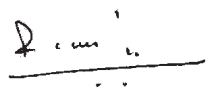
- Utmost priority was given to managing the liquidity position of the Bank, lengthy deliberations were done on liquidity position reports. Unconventional and novel strategies, special teams and tasks were recommended to ensure that the Bank remain steady in a challenging economic scenario.
- Special mechanisms established during 2022 were further strengthened safeguarding the liquidity positions of the Bank.
- Special emphasis was given to the requests of the SOEs to complete the tasks with national interest. Continuous follow up were 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 underperforming 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 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.
    - 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.
    - Subsequent follow ups on alert and trigger events were discussed in detail with remedial actions taken by the management.
    - The possible impact of the sovereign debt restructuring, assets quality review of the independent consultant and restructuring of State-Owned Enterprises (SOEs) were critically analysed for assessing additional capital requirement.

ESMS initiatives – Rolling out the Bank's Environmental and Social Management System Policy across Business Units and Branch Network.

Information security/IT Risk – The implementation of robust information security and IT Risk management measures to ensure seamless banking experience to the customers while ensuring confidentiality and integrity of sensitive data has been the highest priority. In order to sustain and thrive in the banking service domain, a globally accepted IT Governance framework "COBIT 2019" implementation was commenced.

CONCLUSION

The Integrated Risk Management Committee remains steadfast in its commitment to safeguarding the Bank of Ceylon's financial integrity. The comprehensive risk mitigation strategies, coupled with proactive measures position the Bank well to navigate challenges ahead. The Committee would collaborate, adapt and grow and be resilient in the pursuit of sustainable growth in an ever-evolving banking landscape.



Mr R M Priyantha Rathnayake

Chairman,
Integrated Risk Management Committee

19 February 2024

Note:

* Mr Ronald C Perera PC ceased to be a Director w.e.f 13.03.2024 with his resignation from the Board of Bank of Ceylon.

* With the appointment of new members to the Board in 2024, the present Committee comprises of the following members,

(i) Mr Jehaan Ismail
Chairman/ Independent Non-Executive Director

(ii) Mr R M Priyantha Rathnayake
Member/ Non-Independent Non-Executive Ex-officio Director

(iii) Mr Naresh Abeyesekera
Member/ Independent Non-Executive Director

(iv) Mr Jayamin Pelpola
Member/ Independent Non-Executive Director

HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

Committee Composition during 2023

The composition of the Committee during the year 2023:

1. **Mr A C Manilka Fernando***
   Chairman/Independent Non-Executive Director
2. **Mr R M Priyantha Rathnayake**
   Member/Non-Independent Non-Executive Ex-officio Director**
3. **Major General (Rtd) G A Chandrasiri VSV**
   Member/Independent Non-Executive Director*

With Mr A C Manilka Fernando ceasing to be a Director, at the end of his tenure as a Director on the Board of the Bank on 21.04.2023, Prof. Kithsiri M Liyanage was appointed to the Committee. With the ending of the tenure of Major General (Rtd) G A Chandrasiri VSV as a Director on 07.01.2024 the remaining two Directors constituted the Committee and as at signing date of this report the Committee constitution was as follows.

1. **Prof. Kithsiri M Liyanage**
   Chairman/Independent Non-Executive Director
2. **Mr R M Priyantha Rathnayake**
   Member/Non-Independent Non-Executive Ex-officio Director

From 05 February 2024

1. **Prof. Kithsiri M Liyanage**
   Chairman/Independent Non-Executive Director
2. **Mr R M Priyantha Rathnayake**
   Member/Non-Independent Non-Executive Ex-officio Director

Secretary to the Committee

The Secretary, Bank of Ceylon/Secretary to the Board, Janaki S Siriwardane who is an Attorney-at-Law and a Senior Deputy General Manager, functions as the Secretary to the Committee.

Regular Invitees

- General Manager
- Deputy General Manager (Human Resources)
- Any other member of Corporate or Executive Management

Meetings held in 2023: 02
(Attendance given on page 116 of this Report)

Quorum: 2 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 relation to 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 (HR) matters primarily related to 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 2023

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 periodically and also as and when new regulations are issued by the Government or periodically. This was last reviewed in 2023. 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 2023 and accordingly the Committee did not deliberate on remuneration of KMP in 2023.

Performance Evaluation

The Committee evaluated the performance appraisals relating to KMP including the General Manager. The appraisals of the Deputy General Manager (Compliance), Chief Risk Officer and Chief Internal Auditor were placed before the respective subcommittees. They were evaluated against the targets set at the commencement of the year in line with the Strategic Plan. This task is carried out annually.

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 2023. The KPI of the Deputy General Manager (Compliance), Chief Risk Officer and Chief Internal Auditor whose KPI were placed before the respective subcommittees. This takes place annually.

Policies/Charters Reviewed or Revised and recommended to the Board for adoption

- Human Resource and Remuneration Committee Charter.
- Transfer Policy.
- Grievance Handling Policy.
- Newly-introduced Gender Policy.
- Training and Development Policy.
- Human Resource Policy of Seychelles Branch.
- Employee Handbook for Maldives operation.

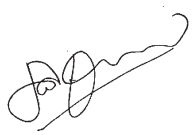
The Committee wished to place on record their appreciation for Mr A C Manilka Fernando, Chairman of the Committee and Major General (Rtd) G A Chandrasiri VSV, member, for their invaluable contribution during their tenures as the Chairman and member respectively, of the Committee.

WAY FORWARD

The members of the Committee collectively evaluated the performance of the Committee and submitted same to the Board.

The Committee will continue promoting the adoption of best-in-class HR practices throughout the Bank, fostering a supportive and inclusive work environment where employees will thrive and contribute to the Bank's continued growth and success.

On behalf of the Human Resources and Remuneration Committee.



Prof. Kithsiri M Liyanage

Chairman,

Human Resources and Remuneration Committee

19 February 2024

Note: With the appointment of new members to the Board in 2024, the present Committee comprises of the following members –

1. Mr Jehaan Ismail
   Chairman/ Independent Non-Executive Director
2. Mr R M Priyantha Rathnayake
   Member / Non-Independent Non-Executive Ex-officio Director
3. Prof. Kithsiri M Liyanage
   Member/ Independent Non-Executive Director
4. Mr Jayamin Pelpola
   Member/ Independent Non-Executive Director

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE REPORT

Committee Composition during 2023

The following Directors were members of the Committee during the year 2023:

From 31 January 2023

1. **Major General (Rtd) 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-Independent Non-Executive Ex-officio Director

From 18 April 2023

1. **Major General (Rtd) G A Chandrasiri VSV***
   Chairman/Independent Non-Executive Director
2. **Mr R M Priyantha Rathnayake**
   Member/Non-Independent Non-Executive Ex-officio Director
3. **Prof. Kithsiri M Liyanage**
   Member/Independent Non-Executive Director

On 19 February 2024, the Committee was reconstituted as follows

1. **Prof. Kithsiri M Liyanage**
   Chairman/ Independent Non-Executive Director
2. **Mr R M Priyantha Rathnayake**
   Member/Non-Independent Non-Executive Ex-officio Director
3. **Mr Jayamin Pelpola**
   Member/Independent Non-Executive Director (Prospective Director)

Note

* Ceased to be a Director w.e.f. 07.01.2024.

** Ceased to be a Director w.e.f. 21.04.2023.

Secretary to the Committee

The Secretary, Bank of Ceylon/ Secretary to the Board, Janaki S Siriwardane who is an Attorney-at-Law and a Senior Deputy General Manager, functions as the Secretary to the Committee.

Regular Invitees

- General Manager

Any other member of the management is invited if decided by the Committee.

Number of Meetings held in 2023: 10 (Attendance given on page 116 of this Report)

Quorum: 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 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 and that of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and newly introduced Section 9 of the Colombo Stock Exchange Listing Rules.

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 is thus obtained for implementation of the recommendations made by the committee.

AREAS OF FOCUS AND ACTIVITIES IN 2023

Policy on Appointment of Directors

In accordance with Bank of Ceylon Ordinance No. 53 of 1938 and subsequent amendments, the Bank of Ceylon, being wholly owned by the State, the Directors to its Board are appointed by the Minister under whose purview the Bank falls. This Committee, therefore, does not directly engage in the appointment of Directors. However, the Bank has internally established a Policy on Appointment of Directors to the Board, stemming from a recommendation by this committee. This policy delineates the criteria necessary for individuals to serve as Directors of the Bank, which is shared with the appointing authority to facilitate the identification of the requisite skill set for potential Directors. The committee ensures the fit and propriety of Directors nominated to the Board.

Corporate Governance

Corporate Governance Policy which is in place was reviewed during the year together with the following incorporated therein:

- The Communication Policy.
- The Policy on Directors' Access to Independent Professional Advice.
- Policy on Appointment of Directors to Board of Bank of Ceylon.
- Board Charter

- 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
- Reviewed and recommended the amended Policy Statement on Appointment of Proxies for Shareholders of Related Companies and other Invested Companies.

Ensured the compliance with the applicable Corporate Governance regulations.

Facilitated the Board Evaluation for the year 2023.

Fitness and Propriety

Ensured that the KMP are fit and proper persons to hold their offices when officers were promoted, appointed as KMP and lateral changes were made.

Succession Arrangements

Recommended the revised Succession Plan for the Corporate Management 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 discussed in detail formulation of a new Promotion Policy for the position of the General Manager/ Chief Executive Officer of Bank of Ceylon which was approved in 2024.

Reviewed and recommended the Promotion Scheme applicable to employees in the grades of Deputy General Manager and Assistant General Manager in the Banking Stream.

WAY FORWARD

The Committee understands the significance of robust corporate governance practices in maintaining the integrity and transparency of Bank's operations. The Committee would promote accountability and ethical conduct across all levels of the Bank to enhance stakeholder trust and drive sustainability.

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.

The Committee wished to place on record their appreciation for Major General (Rtd) G A Chandrasiri VSV, for his invaluable contribution during his tenure as the Chairman of the Committee.

On behalf of the Nomination and Corporate Governance Committee



Prof. Kithsiri M Liyanage

Chairman,

Nomination and Corporate Governance Committee

19 February 2024

Note : With the appointment of new members to the Board in 2024, the present Committee comprises of the following members -

1. Mr Jehaan Ismail
   Chairman/ Independent Non-Executive Director
2. Mr Kavan Ratnayaka
   Member/ Independent Non-Executive Director/ Chairman
3. Mr Jayamin Pelpola
   Member/ Independent Non-Executive Director

INFORMATION AND COMMUNICATION TECHNOLOGY COMMITTEE REPORT

Committee Composition during 2023

The following Directors were members of the Committee during the year 2023:

1. **Prof. Kithsiri M Liyanage**
   Chairman/Independent Non-Executive Director
2. **Mr R M Priyantha Rathnayake**
   Member/Non-Independent Non-Executive Ex-officio Director
3. **Major General (Rtd) G A Chandrasiri VSV***
   Member/Independent Non-Executive Director
4. **Mr Naresh Abeyesekera**
   Member/Independent Non-Executive Director

Note

* Ceased to be a Director w.e.f. 07.01.2024 with the ending of his term as a Director.

Currently the Committee comprises of the following members:

1. **Prof. Kithsiri M Liyanage**
   Chairman/Independent Non-Executive Director
2. **Mr R M Priyantha Rathnayake**
   Member/Non-Independent Non-Executive Ex-officio Director
3. **Mr Naresh Abeyesekera**
   Member/Independent Non-Executive Director (Appointed w.e.f 09.05.2023)

Secretary to the Committee

The Secretary, Bank of Ceylon/Secretary to the Board, Janaki S Siriwardane who is an Attorney-at-Law and a Senior Deputy General Manager, functions as the Secretary to the Committee.

Regular participants

- General Manager
- Head of IT/Chief Information Officer
- Deputy General Manager (Product and Banking Development)
- Chief Risk Officer
- Deputy General Manager (Support Services)
- Chief Information Security Officer

Attend upon invitation

- Assistant General Managers attached to IT Division
- Assistant General Manager (Product Development and Business Process Re-Engineering Project)

Any other members of the Board, the Corporate Management and Staff Member as decided by the Committee

10 Meetings were held within 2023

(Attendance given on page 116 of this Report)

Quorum:   members

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 2023

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.
- Monitored the progress of the procurement of AML/CFT system.
- Monitored and took measures to reduce the ATM/CDM down time.
- Discussed the Bank's digital initiatives embedded in the Strategic Plan.
- Reviewed the proposed bio metric-based payment solution.

IT GOVERNANCE

- Reviewed the IT Road Map and ensured that it is linked to strategy.
- Monitored the implementation of the newly-introduced IT Governance framework and expedited the process.
- Monitored rectification action for internet and mobile banking interruptions that took place in year 2023.
- Reviewed and streamlined IT procurement process and renewals of maintenance contracts.

- Ensured that action be taken to have in place a robust cyber security team.
- Oversaw the Disaster Recovery Site's capacity and capability to ensure its effective operation.

RESOURCES – HUMAN

- Facilitated the new IT organisation structure.
- Assisted to fulfill the required HR for IT Division.
- Facilitated the appointment of a new Chief Information Officer.
- Strengthened the Security Operations Centre with necessary human resources.

WAY FORWARD

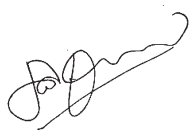
The Committee look at futuristic and emerging technology in making its recommendations and will endeavor to ensure that the Bank's technology programmes support the Bank's business objectives and strategies and provide the appropriate data security.

CONCLUSION

The members of the Information and Communication Technology Committee have evaluated the Committee's performance during the year 2023 for effectiveness and efficiency.

The Committee wishes to record their appreciation for Major General (Rtd) G A Chandrasiri VSV, who was a member of the Committee during the year 2023, for the contribution made by him to this Committee.

On behalf of the Information and Communication Technology Committee



Prof. Kithsiri M Liyanage

Chairman,

Information and Communication Technology Committee

19 February 2024

Note : With the appointment of new members to the Board, Mr Jayamin Pelpola, Independent Non-Executive Director has been appointed as a member of the Committee.

RISKS AND OPPORTUNITIES

RISK LANDSCAPE

The Bank supported by its effective risk management framework successfully achieved its highest ever profit in 2023 amidst significant challenges posed by the subdued global economic outlook, geopolitical fragmentation and spillover effects of adverse economic conditions. Debt restructuring, results of the Bank diagnostic exercise and forward looking loan loss provisions have been identified as the areas with potential ramifications.

Dwindling disposable income resultant from high rate of inflation and fiscal consolidation measures continued to impact the debt servicing capacity of the borrowers. As a result of monetary policy easing measures adopted and inflation reaching a single digit since mid 2023 it is expected to ease off the pressure on the balance sheet.

Throughout the year, Bank continued its efforts to refrain from transferring the increasing interest rate impact especially to the existing borrowers in the retail segment. Due to the unprecedented monetary tightening prevailed during the first half, year-on-year contraction in the loan book was observed. However, with the monetary easing since mid 2023 year closed on a growth trajectory.

Gradual normalisation of interest rates of Government securities was observed in the aftermath of the domestic debt optimisation, paving the way to effective transmission of monetary policy. During the second half of 2023 a reduction in the market interest rates was observed in line with the downward adjustment of policy interest rates.

Significant improvement in Bank's liquidity position was observed in line with market liquidity as a result of reduction of Statutory Reserve Ratio (SRR), CBSL forex absorptions from the market and targeted measures to curtail overreliance on standing facilities.

Despite numerous challenges such as Domestic Debt Optimisation (DDO) and restructuring of State-Owned Enterprises (SOEs), the Bank as the largest contributor to the country's financial sector, successfully maintained Capital Adequacy and other regulatory ratios well above the limit.

Subsequent segments will explore the importance of the Bank of Ceylon's Risk Management function in navigating through a demanding regulatory, operational landscape while maintaining the Bank's commitment in facilitating inclusive and sustainable growth.

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 management of risks across the Bank. Risk management framework provides comprehensive guidelines to identify, measure, mitigate, and report risks in a consistent manner. Risk management framework 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 2023. 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.

INDEPENDENT INTEGRATED RISK MANAGEMENT DIVISION (IIRMD)



VISION

To be a complement in achieving Bank's vision through proactive management of risks.



MISSION

Facilitating sustainable growth of the Bank ensuring comprehensive management of risks in line with regulatory requirements and industry best practices, in a dynamic work environment encouraging team work and professional growth.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

Objectives

- Enhance the Bank's ability to anticipate and mitigate risks effectively while maximising opportunities for growth.
- Establish common policies and standards for the management and control of all risks.
- Provide a common language, system and framework to foster a consistent approach to manage risks.

Risk universe

Primary risks	Credit Risk	Market Risk	Operational Risk		Liquidity Risk		
Other risks	Strategic Risk	Information Security and IT Risk	HR Risk	Regulatory and Compliance Risk	ESG and Climate Risk	Legal Risk	Reputational Risk

Risk governance and oversight

Board of Directors

- Risk related Board Committees
- Integrated Risk Management Committee (IRMC)
- Audit Committee
- Information and Communication Technology Committee

General Manager

Risk-related Executive Committees	Credit risk	Market risk	Operational risk	Information Security
	Credit Committee NPA Review Committee Idle Asset Committee	Asset and Liability Management Committee Investment Committee	Operational Risk Management Executive Committee Fraud Risk Management Committee Committee Dealing with Operational Losses Business Continuity Management Committee	Corporate Information Security Committee

1 First line of defence — Business Units

2 Second line of defence — Independent Integrated Risk Management Division (IIRMD)

3 Third line of defence — Internal Audit

Risk policies

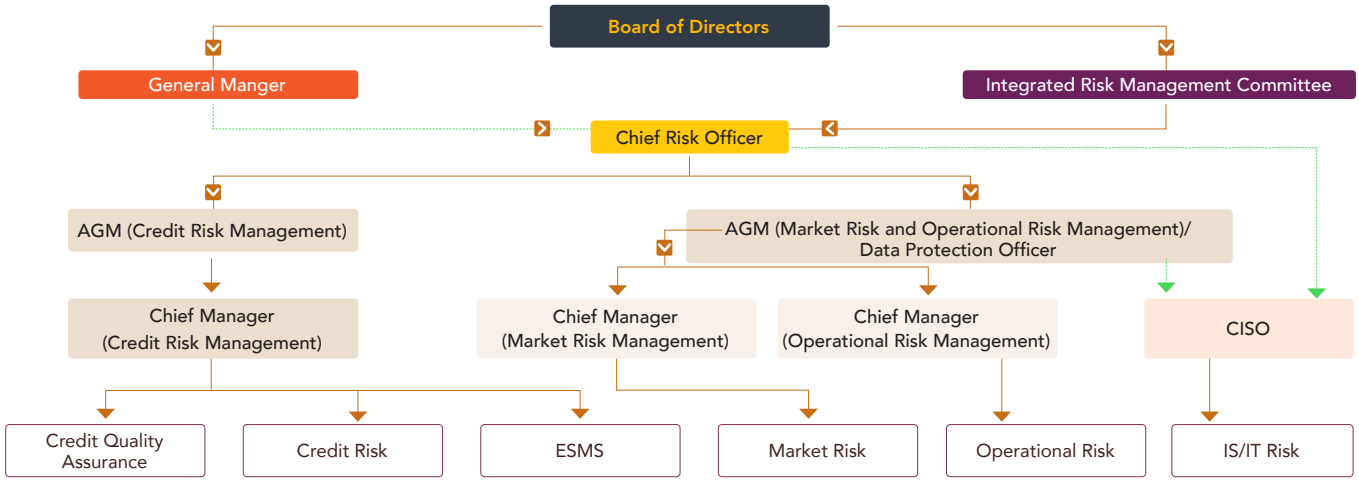
Risk Appetite, Culture and Management

Integrated Risk Management Policy	Group Risk Management Policy	Stress Testing Policy	Integrated Environmental and Social Management System Policy		Overseas Branches Risk Management Framework
Credit Risk Management Policies	Market Risk Management Policies	Liquidity Risk Management Policies	Operational Risk Management Policies	Information Security and IT Risk Management Policies	ICAAP Policy

RISKS AND OPPORTUNITIES

RISK GOVERNANCE AND OVERSIGHT

The Board of Directors holds ultimate responsibility for managing the Bank's risks within the defined parameters set out in the risk appetite. The Integrated Risk Management Committee (IRMC) supports the Board in its oversight of risk management and related duties and the Independent Integrated Risk Management Division (IIRMD) ensures that the risk management process is carried out effectively.



The three lines of defence mechanism serves as the basis of enterprise-wide risk governance and oversight supported by clear division of responsibilities.

1 First line of defence — **Risk taking and ownership by business units**

- Proactive identification, assessment and measuring of risks. The First Line also manages day-to-day transactions and portfolio level risks within the limits specified by the risk appetite framework, related policies and guidelines.

2 Second line of defence — **Risk management, control and oversight by the IIRMD**

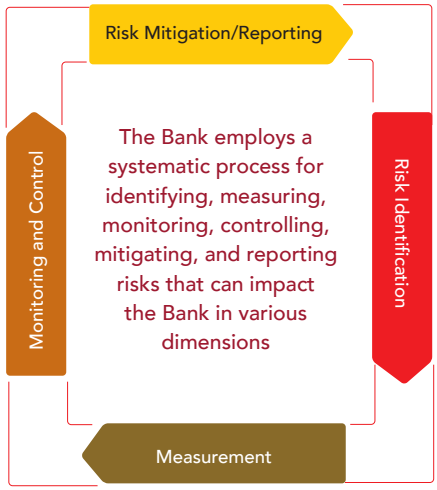
- Development and execution of the risk management framework while setting the risk appetite and establishing the risk culture throughout the organisation. Providing guidance and support to the first line of defence and the management on risk-related activities.

3 Third 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.

RISK MANAGEMENT PROCESS

With clearly delineated roles and responsibilities, well-defined policies, procedures, and processes; the Bank's ERM framework supports consistent identification and management of risks across business units, functions, and operations.



	Integrated Risk Management Committee (IRMC)	Independent Integrated Risk Management Division (IIRMD)
	Comprises of four members of which three are independent Non-Executive Directors.	The Division operates independently and is headed by the Chief Risk Officer (CRO)
Responsibilities	• 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.	• Coordinate the organisation's Enterprise Risk Management system. • Responsible for understanding the risks assumed by the Bank and ensure that the risks are appropriately managed. • Review the risk profile, envisage future challenges and threats and prioritise action steps to mitigate the potential risks. • Determining the Bank's Risk Appetite, including defining specific key risk indicators, ensuring appropriate monitoring and reporting mechanism in place. • Support the business units and inculcate risk culture through continuous training and awareness. • Ensuring regulatory compliance to ICAAP, BCP and RCP requirements.

	Risk category	Key risk indicator	Regulatory requirement /policy parameter	Actual position	
				31.12.2023	31.12.2022
R1	**Credit risk**				
	Asset quality	Net Stage 3 loans ratio (%)		5.07	5.27
		Impairment Coverage (Stage 3) Loans ratio (%)		60.44	59.73
	Concentration and exposure	Sector-wise concentration (HHI)		991	999
		Geographical concentration		2,031	2,062
R2	**Market risk**				
		Net Interest Income (NII) (LKR million)		91,188	126,346
		Net Interest Margin (NIM) (%)		2.08	3.10
		Price Value Per Basis Point (PVBP) of Treasury Bonds		577,985	75,767
R3	**Liquidity risk**				
		Liquid asset ratio (LCY) (%)	20.00	42.80	21.22
		Liquid asset ratio (FCY) (%)	20.00	53.63	32.79
		Liquidity Coverage Ratio (LCR) (%)	100.00	227.71	122.77
		Net Stable Funding Ratio (NSFR) (%)	100.00	145.00	139.00
		Credit-Deposit (CD) ratio (%)		63.38	77.58
R4	**Strategic risk**				
		Tier 1 Capital Ratio (%)	10.00	12.76	12.41
		Total Capital Ratio (%)	14.00	15.84	15.38
		Common Equity Tier 1 Ratio (%)	8.50	11.71	11.34
		RoE (%)		10.55	14.06
R5	**Operational Risk**				
		Operational loss as a percentage of risk appetite (%)		7.00	82.00

RISKS AND OPPORTUNITIES

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.

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 2023, 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.

The Bank continuously works to improve its Environmental and Social Management System, ensuring it is in line with international best practices, related legal provisions of the country and the Sustainable Finance Initiative of the Central Bank of Sri Lanka (CBSL).

Looking to the future, Bank of Ceylon expects to strengthen baseline security alongside stringent Information Security Risk Management to ensure alignment with the direction of Sri Lanka's economy and the financial sector.

Risk Appetite and Tolerance Limits

Risk appetite and tolerance limits are used to align business planning and decision making processes in order to ensure pursuit of strategic objectives is within the maximum amount of risk the Bank is willing to accept.

Risk appetite	• Refers to the extent and type of risk the Bank is willing to take to meet strategic objectives
Risk tolerance	• Describes the level of uncertainty the Bank will accept and identifies the maximum risk boundary, beyond which the Bank is unwilling to operate

Risk appetite statement of the Bank is continuously monitored and reviewed at least annually, considering the volatilities in capital base, macroeconomic changes, country and counterparty risk, expected business growth and the corporate plan.

Stress testing

The stress testing framework of the Bank has been prepared in line with regulatory guidelines and international best practices, utilising a combination of techniques including macroeconomic and business model stress testing along with sensitivity and scenario analysis. It 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.

Regular stress testing evaluates potential effects on the Bank's business and assesses sensitivity of the current and potential risk profile relative to risk appetite. The impact on the profitability, liquidity and capital is assessed, evaluated and reported to the top management and IRMC on a monthly basis and case-by-case basis for effective decision making. Stress testing also contributes to increase risk awareness across the Bank's functions and works to safeguard business continuity by means of proactive management. Furthermore, it supports setting up of the risk appetite and tolerance limits, risk identification and control, complementing other risk management tools, development of contingency plans, improving capital and liquidity augmentation in achieving the strategic business objectives. A comprehensive stress testing provides a broader view to the regulator, external rating agencies and Multilateral Development Banks (MDBs) on resilience of the Bank in internal and external stress situations as a Domestic Systemically Important Bank (D-SIB).

In light of the changes in the operating environment, adequacy and frequency of stress tests, shock levels and assumptions were critically reviewed and changes were incorporated as required.

The Bank proactively and comprehensively evaluated the impact of debt restructuring (haircut on investment securities, both domestic and foreign) under different scenarios and different stress levels given the non-availability of specific conditions. Further impact of possible restructuring of State-Owned Enterprises (SOEs) and the impact emanating from the Bank diagnostic exercise are stresses amongst the full range of stress testing scenarios. The resultant impact of such analysis comforts the Bank's decision-making process, that enabled revisiting and revising of pricing mechanism, adequate impairment provisioning for potential risks and searching for alternative funding avenues.

The Bank's stress testing reports have been presented to the regulators and external funding agencies who have provided a satisfactory response on the outcome of our stress tests.

RISK CULTURE

The Bank's risk culture starts with leadership, with senior management setting the tone from the top by demonstrating a commitment to risk management, compliance, and ethical conduct. The robust risk culture promotes risk awareness and education at all levels of the Bank, ensuring that employees understand their roles and responsibilities in managing risk effectively.

Training programmes, workshops, and communication initiatives in the areas of strong credit culture, E&S risk management, information security, market and operational risk management helped to raise awareness on risk management practices, regulatory requirements and emerging risks within the industry complementing the first line of defense.

The risk culture extends beyond the boundaries of the Bank to encompass interactions with all stakeholders, including regulators, investors, customers and counterparties. Building trust, transparency and credibility with external stakeholders through ethical conduct, regulatory compliance and responsible risk management practices enhance the Bank's reputation and resilience while sustaining long-term value creation.

Capital management and Internal Capital Adequacy Assessment Process (ICAAP)

Proactive management of the capital position, capital mix and capital allocation is a crucial aspect of risk management in order to safeguard the Bank's financial position and reputation not withstanding the capital requirements set as per the regulations. The Bank's approach to capital management is driven by its strategic objectives and is aligned with the Pillar II requirements.

The Internal Capital Adequacy Assessment Process and Recovery Plan (ICAAP and RCP) Steering Committee is responsible for assessing and managing the risks associated with the Bank's capital management and developing the capital augmentation plan.

The Bank focused on strengthening capital buffers through internal capital generation and through the issuance of listed BASEL III compliant Tier 2 debentures (LKR 10 billion), considering the recapitalisation needs arising with the domestic debt optimisation, restructuring of foreign currency exposures of SOEs and forward-looking impact assessments despite the current comfortable level of capital position and buffers.

Recovery Plan (RCP)

The Recovery Plan provides the framework for Bank's governance, identification of credible options to survive a range of severe but plausible stress scenarios arise from institution-specific stresses, market-wide stresses, or a combination of both and sets out the plan for profitability, liquidity and capital management arrangements while improving the risk profile and ensuring the business continuity. RCP causes a predetermined escalation and information process up to top management within the Bank and its supervisory authority in a trigger situation. ICAAP and RCP committee is the executive committee responsible for implementation and execution of the recovery plan in the Bank.

The 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. The Risk indicators set as alerts and triggers are monitored regularly and the precautionary actions are taken before a trigger occurs. However, the breaching of a trigger at any time will activate the Recovery Plan of the Bank.

Given the stress on Net Interest Margin (NIM) of the Bank during the year 2023, the ICAAP and RCP Steering Committee activated range of recovery options resulting in gradual improvement in the ratio under the scrutiny of the regulator. Therefore, a comprehensive RCP plays a pivotal role in restoring 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

Under the challenging operating environment which prevailed during the year, risk reporting to the Board via Integrated Risk Management Committee further strengthened with measures taken to improve the processes of providing timely, accurate and comprehensive risk information. Special emphasis was placed on credit, liquidity, operational, interest rate risk and information security related risks, risk interdependencies, and potential risk mitigation strategies.

Broad analysis and reporting of emerging risks on regular basis and submission of comprehensive monthly risk report, comprising risk dashboards to the IRMC, strengthened the risk management oversight.

The Bank provides quantitative and qualitative disclosures in line with the BASEL III requirements as specified by the regulator through the Annual Report, website and printed media in order to provide a meaningful assessment of risks confronted by the Bank.

RISKS AND OPPORTUNITIES

CREDIT RISK

Bank utilised its risk management framework in line with three lines of defense model to manage and mitigate credit risk successfully during the year. Emphasis was on the strengthening first line of defense, maintaining asset quality, supporting the business growth in line with the Bank's risk appetite.

GOVERNANCE

The Board holds apex responsibility in ensuring the Bank's credit risk exposures are managed within the defined risk appetite. The IRMC is responsible for implementing Bank's credit risk management framework while supporting the Board in its oversight to credit risk management related duties.

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

POLICY FRAMEWORK AND METHODOLOGIES

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
- 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
- Early warning signals

KEY DEVELOPMENTS IN 2023

- Supported the revival and resumption of economic activities.
- Successful Bank-wide rollout of the Environment and Social risk assessment in lending activities.
- Strengthened the process of post sanctioning review through credit quality assurance units.
- Comprehensive review of credit risk management policies.

ESMS

The Bank successfully rolled out its Environment and Social risk assessment guidelines in line with its Integrated Environmental and Social Management System Policy, which outlines the procedures for identifying, assessing and managing environmental and social risks of financial transactions. While supporting the growth of products to promote sustainable green financing and financial inclusion, the Bank's ESMS entwined with ESG considerations, ensures that its lending activities and operations are environmentally and socially responsible and compatible with the applicable regulatory environmental and social standards, country regulations as well as globally recognised best practices.

In support of Sri Lanka's Sustainable Finance Roadmap, BoC identifies and evaluates associated climate related risks and green financing activities in its lending portfolio. With the focus of promoting sustainable and environmentally friendly infrastructure to customers, the Bank through Environmental and Social Due Diligence (ESDD) procedures, identifies opportunities that could contribute to greener and more sustainable economy in Sri Lanka.

Opportunities

Enhance financial intermediation
Create a robust ecosystem that efficiently channels funds, manages risks, and supports economic growth.

Improve green financing
Develop green finance products and lending portfolio which supports sustainable development while addressing climate challenges.

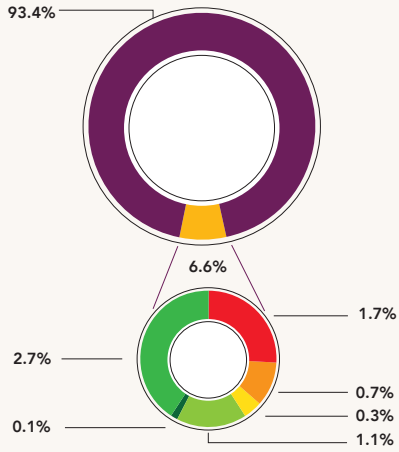
Increasing exposure to the private sector
Further diversify Bank's portfolio while supporting the economic growth of the country.

Improve asset quality through revival and rehabilitation
Providing support to businesses to withstand negative impacts of the economic conditions in the aftermath of the pandemic.

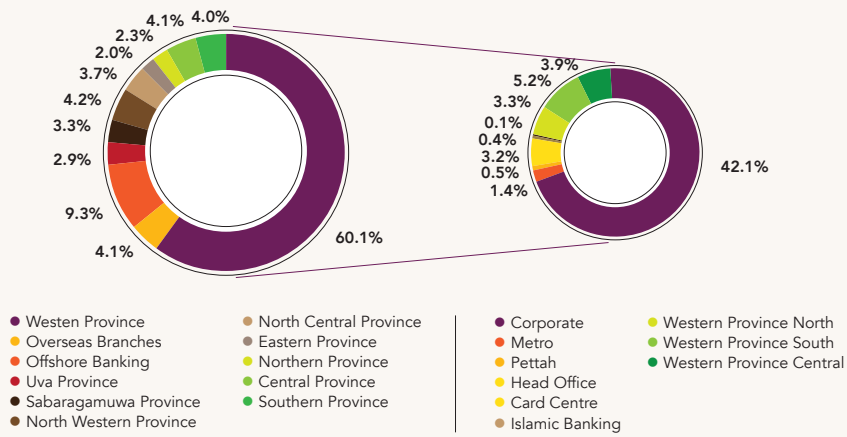
Process improvement through digital adoption
Enhance credit management process via evolving digital adoption.

Facilitate economic development financing key sectors
Supporting more inclusive and resilient growth of country's economy utilising the Bank's financial strength to facilitate capital allocation for key sectors.

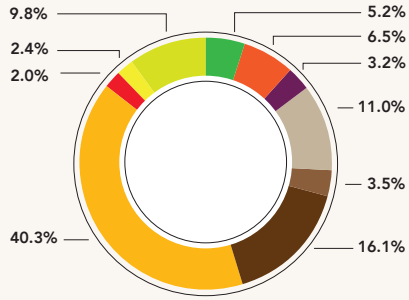
CROSS BORDER EXPOSURE OF THE BANK (%)



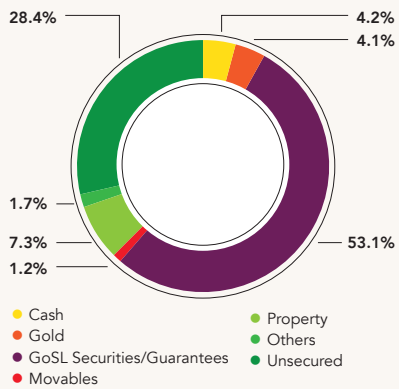
GEOGRAPHICAL CONCENTRATION (%)



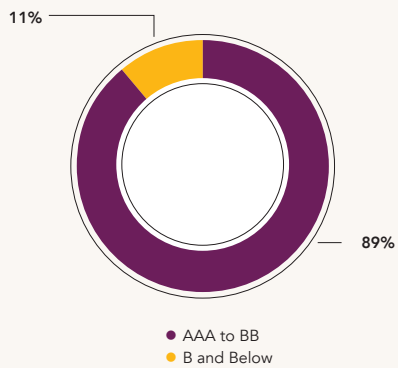
SECTOR CONCENTRATION (%)



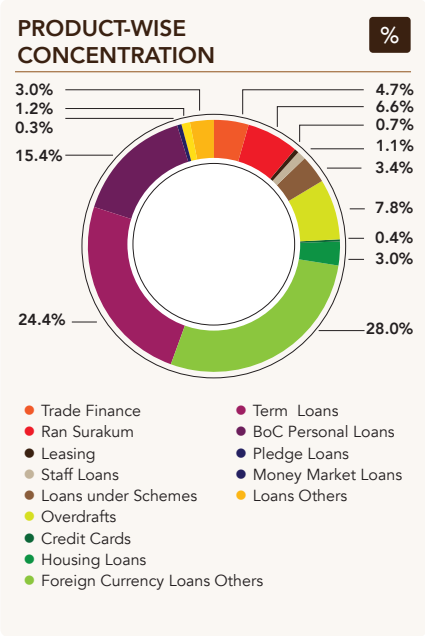
COLLATERAL CONCENTRATION (%)



RATING GRADE-WISE DISTRIBUTION (%)



RISKS AND OPPORTUNITIES





Market risk refers to the potential for financial losses arising from adverse movements in market variables such as interest rates, foreign exchange rates, equity prices, commodity prices, and other relevant financial indicators.

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:

Risk type	Management tools and indicators
Interest Rate Risk (IRR) – arising from the Bank's trading and non-trading books	• Maturity mismatches, interest rate gaps and Price Value per Basis Point (PVBP) are monitored on a consistent basis. • Implications of changes in macroeconomic conditions are assessed through regular stress testing. • Stress testing on interest rate movements
Foreign exchange risk – stemming from foreign currency denoted transactions	• 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, are used to manage vulnerabilities. • Stress testing on plausible forex risk scenarios.
Equity risk – losses from volatilities in equity prices	• 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. • Comprehensive stress testing.

GOVERNANCE

The Board provides directions with respect to market risk management framework and oversees that all aspects of market risk is managed. As Board level subcommittee, IRMC supports the Board in its oversight of risk management and related duties.

The Asset and Liability Committee (ALCO) and investment committee holds the responsibility of managing the Bank's market risk and makes recommendations to the IRMC.

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.

POLICY FRAMEWORK AND METHODOLOGIES

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.

KEY DEVELOPMENTS IN 2023

- Implemented additional monitoring mechanisms for Treasury Operations.

Expanded the monitoring domain by incorporating several additional risk parameters to improve the effectiveness of monitoring mechanism and enrich the reporting. The following risk parameters were included into daily monitoring procedure:

1. Off market exchange rates
2. Forward exchange contracts mismatch limits
3. Intraday open position limit
4. Pre-settlement risk limits of fixed income securities with counterparties

Daily risk report was enriched with those additional risk parameters, in order to enhance the scope of the reporting to the management.

- Provided risk insights to improve the Net Interest Margin (NIM) of the Bank.

The following areas were broadly addressed to improve the NIM of the Bank.

1. Adjustment of interest rates in line with policy rates and structure of the assets and liabilities
2. Focusing the Net Interest Income of FCY assets and liabilities
3. Reduction of non-interest earning assets
4. Use of variable rates mechanisms for improving NIM
5. Finding new hedging methods to curtail interest rates risk
6. Improvement of CASA

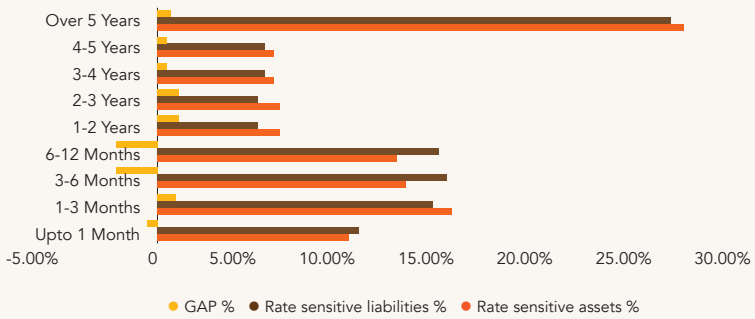
RISKS AND OPPORTUNITIES

Opportunities

- Bank foresees some opportunities to improve the liquidity and profitability using new trends in the market space. Specifically, with reducing interest rates scenario and gradual improvement of foreign exchange liquidity in the economy. Bank has the opportunity to align its mechanisms of Asset and Liability Management to have a better margins with reducing interest rates and better exchange gains through increased foreign exchange transactions like exports, imports and retail foreign exchange conversions.

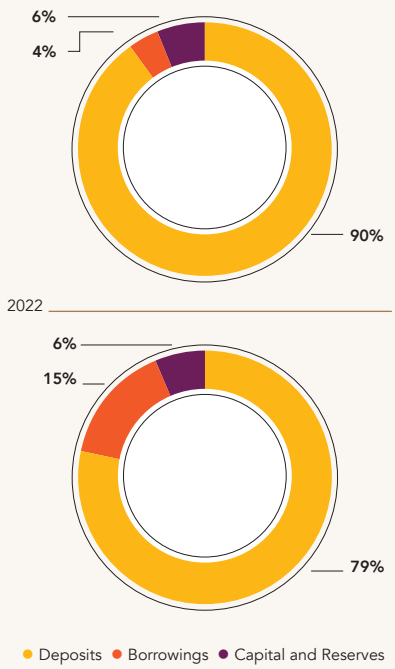
SENSITIVITY ANALYSIS OF ASSETS AND LIABILITIES DECEMBER 2023

%



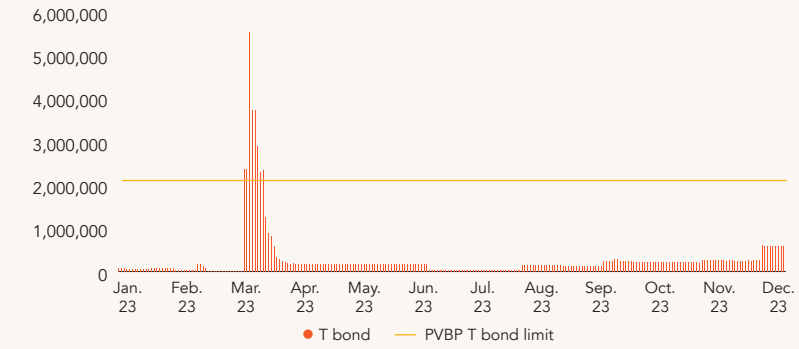
FUNDING COMPOSITION

%



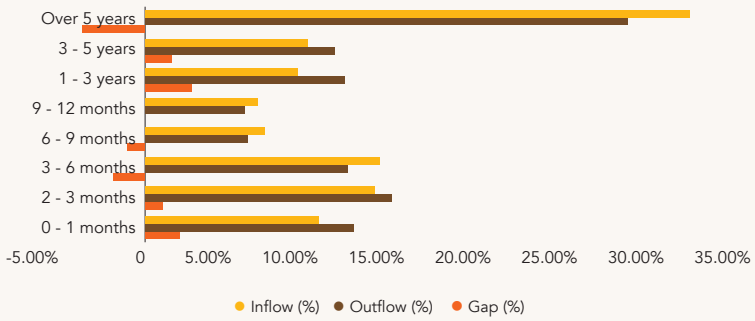
PVBP T Bond

LKR



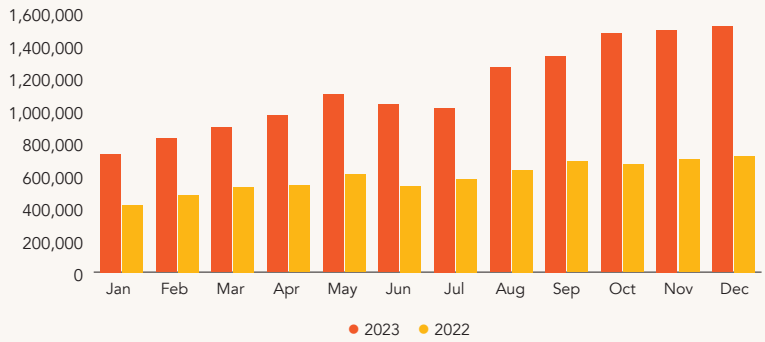
MATURITY ANALYSIS OF ASSETS AND LIABILITIES - DECEMBER 2023

%



UNENCUMBERED SECURITIES

LKR



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 ensures the effective management of day-to-day liquidity risk and Bank's resilience in facing unexpected liquidity crisis conditions.

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 stress testing and making recommendations

POLICY FRAMEWORK AND METHODOLOGIES

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.

GOVERNANCE

The Board oversees the establishment and approval and reviewing of liquidity management strategies, policies and procedures while its delegated subcommittee, the IRMC supporting the Board in its oversight of liquidity risk management.

The Asset and Liability Management Committee (ALCO) as the responsible management committee for monitoring and managing the liquidity risk of the Bank, carries out the required evaluations and makes recommendations to the IRMC on the relevant risk appetite limits.

KEY DEVELOPMENTS IN 2023

- Recorded a significant increase in the foreign currency liquidity position mainly as a result of the migrant worker remittances.
- Stringent Management of Foreign Currency liquidity through prioritised payments.
- Improving CASA

Opportunities

- With gradual improvement of FCY liquidity in the market, the Bank has opportunities of mobilising FCY deposits at low cost
- With gradual recovery of the economy create more borrowing opportunities to handle liquidity stress situations
- Contingent Funding Plan of the Bank will help to ease the liquidity stresses

RISKS AND OPPORTUNITIES



OPERATIONAL RISK

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events such as natural disasters. The Bank's operational risk management is guided by the operational risk management framework which supports the identification, measurement, management, monitoring and reporting of material operational risks.

GOVERNANCE

The Board is primarily responsible for ensuring effective management of operational risk within the Bank. The IRMC is responsible for implementing the Bank's operational risk management framework while supporting the Board through oversight on operational risk management related duties.

Risk identification and management is done through the Operational Risk Management Executive Committee (ORMEC) and provincial operational risk management committee. The ORMEC along with the fraud risk management committee and the operational risk management unit report to the IRMC.

Operational Risk Management Executive Committee (ORMEC)	Fraud Risk Management Committee (FRMC)	Operational Risk Management Unit
Key responsibilities	**Key responsibilities**	**Key responsibilities**
• Assists the IRMC to discharge its statutory duties and its responsibilities in relation to operational risk management of the Bank	• Identify the systemic gaps if any that facilitated perpetration of the fraud and recommend measures to plug the same	• Co-ordinating and managing all the operational risk activities of the Bank and working towards achievement of the stated goals and objectives
• Operational risk strategy and policy development and review	• Identify the reasons for delay in detection of risk, if any, reporting to top management of the Bank	• Formulating all the operational risk related policies and ensuring their review as per timelines
• Monitor and ensure that appropriate operational risk management framework is in place	• Ensure that staff accountability is examined at all levels in all the cases of frauds and staff side action, if required, is completed quickly without loss of time	• Implementing tools related to operational risk management such as Risk and Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Loss Data Management etc., and working towards the goals of improved controls and lower risk
• Discuss and recommend suitable controls/ mitigant for managing operational risk	• Monitor progress of Bank/ CID/ Police Investigation, and Recovery position	• Product/ process reviews for operational risk mitigation
• Ensuring a mechanism is in place to record operational loss events and near misses, and ensuring that action is taken within reasonable time	• Review the efficiency of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls	• Co-ordinates with the HR department to ensure regular trainings are provided to the Bank's employees to generate awareness about operational risk management
• Formulation of coherent and consistent responses to developments in the external operational environment	• Recommend any other measures as may be considered relevant to strengthen preventive measures against frauds	
• Coordinated responses to interdepartmental and inter business units		
• Review and approve the development and implementation of operational risk methodologies and tools		

POLICY FRAMEWORK AND METHODOLOGIES

Tools and mechanisms

Policy framework

Key policies include:

- Operational Risk Management Policy
- Fraud Risk Management Policy

These are 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 Assessment (RCSA) framework of the Bank enable identification of operational risks that may arise from business objectives, products and services and operational procedures. The control effectiveness over those risk is evaluated, tested and monitored for critical business units.

Key risk indicators, internal loss data incident reporting 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 and incidents allowing identification of trends in operational risks and root causes. As an organisation-wide risk exposure, the Bank strives to nurture a risk conscious culture by encouraging employees 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
6. Creating a culture of risk awareness

KEY DEVELOPMENTS IN 2023

- Reinforced the risk assessment process of overseas branches through introduction of a comprehensive questionnaire to ensure that an appropriate Operational Risk Management Framework is in place under the course of continuous endeavors of IIRMD to proactively identify and mitigate potential risks across Bank's global operations.
- Improved process controls through Risk and Control Self-Assessment (RCSA) in critical units in the Bank which ensures a single standard for risk and control that facilitates management oversight, optimises resource utilisation and meets the regulatory requirements.
- Reviewed and improved the checklist of the Branch risk assessment which complement the effective functioning of the provincial ORMC.
- Provided a risk perspective when introducing a new product/process and review existing products/ processes.
- Effective usage of 'tvBOC' to carryout awareness programmes to all levels of staff especially to Managers and Internal Control Officers focusing on arresting loss events.
- Revamping Bank-wide circulars: A special task is carried out by the BPRP unit with the feedback and analysis from IIRMD and other stakeholders to refurbish the Bank-wide circulars as a Bank with over eight-decade history.

Opportunities

- **Initiation of projects to drive automation:**

  Automation of monitoring mechanism will collect around the clock data and fill into reports automatically that enables comprehensive analysis and identification of issues in the processes that have not been noticed before. This also helps to remove the vast majority of human error from processes.

- **Improved control environment**

  Improved control environment ensures that the processes are not just compliant but also efficient specially in the journey of digital transformation. Internal circulars are a highly-effective way to communicate with employees and revamping of Bank-wide circulars will streamline the internal control mechanism throughout the Bank.

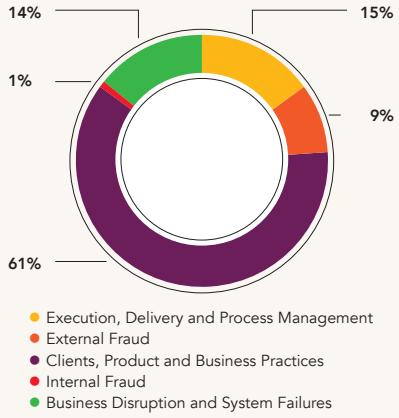
- **Training and awareness**

  Effectively functioning training department, well-equipped centralised training institute and a Bank-owned internal TV channel complement the employee development in many ways. Enhancing of employee productivity and improving the Bank's culture are amongst continuous efforts to strengthen work performance and a controlled operational environment.

RISKS AND OPPORTUNITIES

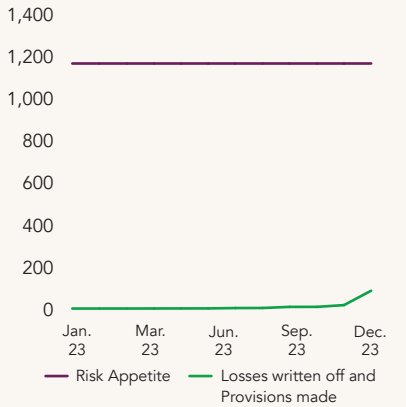
LOSS EVENT TYPE DISTRIBUTION FOR YEAR 2023

%



RISK APPETITE VS ACTUAL LOSSES AND PROVISIONS

LKR million



INFORMATION SECURITY AND TECHNOLOGY RISK

Information Security and Technology Risk involves the risk of loss or theft of information, data and money, or potential service disruption stemming from the adoption of IT within the Bank. Cyberattacks, phishing scams, and ransomware incidents are on the rise, posing significant challenges to IT infrastructure, customer data security, and operational resilience. Having understood the criticality of proactively addressing these threats, the Bank continued to invest in updating its digital defences.

GOVERNANCE

Corporate Information Security Committee (CISC)

- Provide management direction and support for the Information Security (IS) initiatives
- Ensure the establishment of the Information Security objectives and plans in line with business objectives
- Ensure the application of processes and procedures specified in the Information Security Policy (ISP)
- Review and communicate the information security plans and programmes to maintain information security awareness in BoC
- Provide direction to the CISO
- Oversee all aspects related to security operations and drive overall information security in BoC

Information Security Unit - Key Activities

- Development, maintenance and implementation of the ISP of the Bank and overseas branches
- Comprehensive risk assessments on overall operations and products
- Management of Information Security incidents
- Improvements to the current information security infrastructure
- Compliance with legal/regulatory requirements /standards
- Strengthen Information Security awareness of employees and customers through various channels
- Being resourceful in procurement related meetings to ensure that products are in compliance with the Bank's security requirements

IT Risk Unit - Key Activities

- Assess the risk of system requirements, newly-developed systems and changes done for existing systems
- Development, maintenance, and implementation of IT Risk Policy of the Bank including overseas branches
- Strengthening IT Governance

Policies

- Information Security Policy
- Cyber Security Policy
- Vulnerability Management Policy
- IT Risk Management Policy
- Overseas Branches Cyber Security Policies, IT Risk Management Policies and Information Security Policies

KEY DEVELOPMENTS IN 2023

- In addition to the Information Security Policy that was already in place, the Bank introduced and implemented the Cyber Security Policy
- Commenced implementation of the COBIT 2019 Framework under the leadership of the Chief Risk Officer. We are the first bank in Sri Lanka to adopt this globally accepted IT governance framework, which will align existing frameworks and processes with the Bank's overall strategy and strengthen the governance of information security, compliance and risk management
- Completed risks assessments in alignment with ISO 27001

- Appointed a Data Protection Officer in line with the enactment of the Privacy Data Protection Act No. 9 of 2022
- Conducted rigorous information security awareness and training

Opportunities

- Establish a data protection unit to strengthen the IT governance framework
- Partner with fintechs and value-added service providers to expand our product range and customer reach
- Align processes and frameworks with the internationally recognised COBIT 2019 framework

STRATEGIC RISK

This involves the potential losses arising from the possible flaws in the Bank's future business plans and the possibilities of strategies being inadequate. Formulating proper response plans to refine the Bank's strategy to suit the changes in the business environment is essential for management of strategic risk.

The strategic direction of the Bank provided by its overarching vision and mission, articulated in BoC's corporate plan with specific measurable time-bound targets. The Bank's strategic plan is developed under the guidance of Board of Directors and the involvement of the Corporate Management and Executive Management team taking into consideration the changes in the operating context and stakeholder needs. Continued monitoring of performance is carried out against defined targets and comprehensive scorecards are used to measure strategic risk exposures.

KEY DEVELOPMENTS IN 2023

- The Strategic Plan (SP) of the Bank was developed for five year time horizon intensifying the strategic direction and enabling the Bank to formulate a wide-ranging plan for accomplishing objectives of its stakeholders. A special committee appointed by the corporate strategic review committee studied the changes for repositioning the business model of the bank for next five years.

Opportunities

- The gradual recovery of the economy complemented by the monetary policy easing will enable the counterparties to meet their debt obligations meeting Bank's asset quality targets. With the continuous support by the International Monetary Fund (IMF) in rebuilding the economy and restructuring process the recapitalisation targets will be achieved.

HUMAN RESOURCE RISK

Continued challenging economic environment and socio-political conditions poses a pressure on the human capital of the Bank resultant high staff turnover and challenged talent acquisition. In this context, the Bank placed heavy emphasis on employee well-being, training and development as well as recognising and rewarding performance to strengthen and equip the Bank's employees to function at their optimum.

KEY DEVELOPMENTS IN 2023

- The Bank managed the talent acquisition through new recruitments of management trainees and staff assistants
- Introduction of new human resource related policy frameworks and reviewing of existing policies to accommodate the changing requirements of the human capital management
- Continuous employee development programmes
- The pilot run on distance working has been a success within the Bank enabling flexible working hours without compromising the service level
- Flexibility in employee dress code is also a key milestone in the human capital management history

REGULATORY AND COMPLIANCE RISK

Regulatory and compliance risk arises from the failure to comply with laws, regulations, and industry standards governing banking activities. In 2023, the Bank continued to navigate a complex regulatory environment, including prudential regulations, Anti-Money Laundering (AML) requirements, consumer protection laws, and international standards through close and proactive engagement with regulators. A dedicated Compliance Unit monitors all compliance with guidelines and regulations. A comprehensive compliance policy governs the compliance risk management. Continuous island-wide training and awareness programmes and onsite compliance assessments including overseas branches ensure effective management of regulatory and compliance risk.

RISKS AND OPPORTUNITIES

KEY DEVELOPMENTS IN 2023

- Implemented system developments for compliance reporting requirements
- Carried out island-wide training programmes
- Onsite compliance assessment

CLIMATE 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 and its stakeholders. Addressing climate risk requires us to integrate climate considerations into our risk management frameworks, strategic planning processes, and decision-making practices. This includes assessing and disclosing climate-related risks and opportunities, implementing risk mitigation strategies, and engaging with stakeholders to promote sustainable finance and resilience-building efforts. By proactively managing climate risk, BoC aims to enhance its resilience, protect financial interests, and contribute to the transition to a low-carbon, climate-resilient economy.

A dedicated unit has been set up under the CFO, and an AGM has been appointed to manage the ESG aspect of the Bank. Board approved policies and procedures have also been implemented in terms of climate risk management. Extending the Bank commitment along the value chain, the Bank carries out prudent and careful evaluation of credit facilities above LKR 25 million to grant environmental and social clearance in compliance with the ESG principles of the Bank.

KEY DEVELOPMENTS IN 2023

- Converted 52 branches to solar energy. All Bank owned buildings are to be converted by 2024.
- Successful island-wide roll-out of the Environmental and Social Management System (ESMS) to assess environmental and social risks of the lending portfolio of the Bank.
- Carried out training programmes on ESMS to develop a holistic approach to investment analysis, which incorporates environmental and social consideration.

Opportunities

- Introduce sustainable lending products
- Strengthen correspondent banking relationships with international funding agencies

LEGAL AND REPUTATIONAL RISK

Legal and reputational 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 and negative perception of the stakeholders on Bank's financial and operation position.

KEY DEVELOPMENTS IN 2023

- Strengthen the customer complaint handling process through establishment of a separate customer complaint handling unit.
- Increased usage of social media has widened the vulnerability to reputation risk. The establishment of a separate unit for social media response handling has contributed successfully in managing negative response on Bank on social media.

Opportunities

- The continuous effort on complying with the Sustainability Road Map of CBSL, the Bank carries out environmental-friendly Corporate Social Responsibility (CSR) projects which will enhance the reputation of the Bank.



7

SETTING STANDARDS FOR FINANCIAL PROWESS

As the sun's strength sustains life, the Bank of Ceylon's financial prowess empowers its stakeholders like the sun's abundant strength to enrich and sustain.

The Bank's performance offers reassurance and stability in the financial realm exemplifying enduring strength.

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 2023 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 27 February 2024.

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 176. 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, the structure of the Group has not undergone any change and, notes to the Financial Statements No. 31 and 32 on pages from 245 to 253 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 on page 08 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 16 to 19 deals with the year's performance of the Bank/ Group and on the Sri Lankan economy. The General Manager's Review on pages 20 to 23 provides a detailed description of the operations of the Bank during the year under review. The section titled "Financial Review" on pages 68 to 72 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 163 CRMs during the year across the island, bringing out the total direct customer contact points to 2,241. This number does not include peer banks' ATMs through which customers of Bank of Ceylon can transact, School "Sansada" and Mobile saving units.

Due to the economic downturn and unrest situation 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 2023 one branch has been added to the brick and mortar network of the Bank.

2.7. Corporate donations

The Bank has donated LKR 130 million on Corporate Social Responsibility (CSR) activities carried out during the year 2023 (2022 – LKR 60.1 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 159 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 2023 is given on pages 160 to 164 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 176 to 191.

3. Planned developments

An overview of the developments planned by the Bank for the future is presented in the Chairman's Message on pages 16 to 19 and General Manager's Review on pages 20 to 23 of this Annual Report.

4. Total income

The total income of the Group for the year 2023 was LKR 551,866.8 million as against LKR 520,891.2 million in the previous year. The Bank's total income accounted for 98% (2022 – 99%) of the total income of the Group. The main income of the Group is interest income, which comprises 96% (2022 –89%) of the total income.

5. Dividends and reserves

5.1. Profit and appropriations

The Bank has recorded a profit before tax of LKR 40,342.4 million in 2023 reflecting a notable increase of 30%, compared to LKR 30,976.6 million recorded for the previous year.

After a charge of LKR 13,648.9 million (2022 – tax reversal of LKR 995.7 million) for income tax, the Bank has recorded Profit After Tax (PAT) for the year 2023 amounting to LKR 26,693.5 million, which is a 16.5% decrease compared to LKR 31,972.4 million PAT reported in 2022.

After charge of LKR 14,155.4 million of income tax (2022 – tax reversal of LKR 796.5 million), the profit after tax for the year of the Group is LKR 27,617.6 million in 2023 (2022– LKR 31,849.0 million).

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	2023 LKR million	2022 LKR million	2023 LKR million	2022 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	53,005.9	42,289.9	54,695.3	42,372.2
Taxes on financial services	(12,663.5)	(11,313.3)	(12,955.8)	(11,442.5)
Share of profits/ (losses) of associate companies net of tax	-	-	33.5	122.8
Profit before income tax	40,342.4	30,976.6	41,773.0	31,052.5
Income tax (expense)/ reversal	(13,648.9)	995.8	(14,155.4)	796.5
Profit for the year	26,693.5	31,972.4	27,617.6	31,849.0
Other comprehensive income for the year, net of tax	(28,989.7)	27,806.9	(27,397.1)	32,230.3
Total comprehensive income for the year	(2,296.2)	59,779.3	220.4	64,079.3
Appropriations				
Transfers to permanent reserve fund	(534)	(640)	(534)	(640)
Dividends	(173)	(346)	(173)	(346)

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 173.2 million has been paid out by the Bank as dividends for the year 2023 (2022 - LKR 346.4 million).

5.3. Reserves

The total reserves of the Group stood at LKR 245,727.9 million as at 31 December 2023 (2022 – LKR 245,743.6 million). The Group reserves consist of the following:

	Group	
As at 31 December	2023 LKR million	2022 LKR million
Permanent reserve fund	15,665.0	15,131.0
Cash flow hedge reserve	5,251.5	25,620.6
Revaluation reserve	33,687.4	27,558.1
Free reserve	366.7	366.7
Exchange translation reserve	12,335.3	14,304.4
FVOCI reserve	4,999.8	2,584.4
Statutory reserve	358.9	358.9
Retained earnings	173,063.3	159,819.5
Total	245,727.9	245,743.6

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 4,056.2 million (2022 – LKR 4,195.2 million) the details of which are given in Notes 34 and 36 of Financial Statements on pages 255 to 273 and 276 to 277 of this Annual Report.

7. Value of freehold properties

The value of freehold properties owned by the Group as at 31 December 2023 is included in Note 34 of the Financial Statements at LKR 38,748.4 million (2022 – LKR 31,125.9 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 2023 was LKR 25,000 million (2022 – LKR 25,000 million). During the year 2022 Government Treasury infused LKR 730.0 million as capital contribution to the Bank and as at 31 December 2023 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 10,000.0 million (2022 – LKR 6,490.0 million) through the issuance of Basel III compliant, listed, 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 297 to 299.

10. Share information

The basic earnings per share and net assets value per share of the Group were LKR 1,102.9 (2022 - LKR 1,279.8) and LKR 10,858.3 (2022 - LKR 10,858.9) respectively, for the year under review.

11. Corporate sustainability and responsibility

The programmes carried out under Corporate Sustainability and Responsibility (CSR) are detailed on page 103 to 109 under the section titled "A Beacon of trust in everything we do".

12. Directors

Details of Directors who held the office during the year 2023 and holding the office as of the sign-off date of this Annual report is given in the table below. 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 28 to 31 of this Annual report. As of the Annual Report sign- off date, the number of Directors holding office is six (6). During the year 2023, the Board consisted of the following members;

12.1. List of directors

Mr Ronald C Perera PC
Independent Non-Executive Director / Chairman (Appointed w.e.f. 20 January 2023, resigned w.e.f. 13 March 2024)

Mr R M Priyantha Rathnayake
Non-Independent, Non-Executive Ex officio Director (Appointed w.e.f. 28 April 2020, re-appointed w.e.f. 29 April 2023)

Major General (Rtd.) G A Chandrasiri VSV
Independent Non-Executive Director (Appointed w.e.f. 08 January 2021, ceased to be a director w.e.f. 07 January 2024)

Prof. Kithsiri M Liyanage
Independent Non-Executive Director (Appointed w.e.f. 31 March 2023)

Mr. Naresh Abeyesekera
Independent Non-Executive Director (Appointed w.e.f. 04 May 2023)

Board of Directors as of the sign off date;

Mr. Kavan Ratnayaka was appointed w.e.f. 14 March 2024 as an Independent Non-Executive Director/ Chairman.

Mr. Jehaan Ismail was appointed w.e.f 07 February 2024 as an Independent Non-Executive Director.

Mr. Jayamin Pelpola was appointed w.e.f 22 February 2024 as an Independent Non-Executive Director.

Accordingly, the present Board is as follows,

Name of the Director	Executive / Non-Executive Status	Status of Independence
Mr. Kavan Ratnayaka	Non-Executive	Independent
Mr. R M Priyantha Rathnayake	Non-Executive Ex officio	Non-Independent
Prof. Kithsiri M Liyanage	Non-Executive	Independent
Mr. Naresh Abeyesekera	Non-Executive	Independent
Mr. Jehaan Ismail	Non-Executive	Independent
Mr. Jayamin Pelpola	Non-Executive	Independent

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 to ensure oversight control over affairs of the Bank. The subcommittee composition is given under the Governance on pages 122 to 131 of this Annual Report.

12.3. Directors' meetings

Attendance of Directors at Board and subcommittee meetings are given on page 116 of this Annual Report.

12.4. Directors' interests in contracts

Directors' interests in contracts with the Bank, both direct and indirect are given on page 155. 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. Directors refrain from voting matters in which they are materially interested.

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 and Remuneration Policy for Chairman and Directors of the Bank of Ceylon. The Directors' remuneration in respect of the Bank and the Group for the financial year ended 31 December 2023 are given in Note 17 on page 200.

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 132 to 148 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 122 to 123 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.

ANNUAL REPORT OF THE DIRECTORS ON THE STATE OF AFFAIRS OF BANK OF CEYLON

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 156 and 157 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 158 of this Annual Report.

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 111 to 121 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 "A winning, Talented and Diverse Team" on pages 90 to 97 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 119 of this report.

Details of the Bank's compliance with laws and regulations are given on pages 353 to 400 under the section titled "Compliance Annexes" which forms an integral part of this Report. They ensure that they are aware of applicable laws, rules and regulations.

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 "A Beacon of trust in everything we do" on page 103 to 109.

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

03 April 2024
Colombo

DIRECTORS' INTEREST IN CONTRACTS

Related party disclosures as required by the the Sri Lanka Accounting Standard - LKAS 24 - "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 31.12.2023 '000	Balance/ Amount outstanding as at 31.12.2022 '000
Mr Ronald C Perera (appointed as the Chairman of Bank of Ceylon w.e.f. 20 January 2023)					
Sri Lanka Insurance Corporation Limited	Chairman	Current accounts		11,414	-
		Savings accounts		49	-
		Time Deposits		6,295,823	-
		Overdrafts	10,000	-	-
Hotels Colombo (1963) Limited	Chairman	Current accounts		1,568	3,105
		Time Deposits		96,474	87,918
		Overdrafts	41,000	41,521	36,989
		Loans		231,883	227,308
		Other receivables		164,699	87,290
Property Development Limited	Chairman	Current accounts		35,001	9,863
		Time Deposits		3,945,360	3,235,160
		Securities sold under repurchase agreements		62,400	167,953
Bank of Ceylon (UK) Limited	Chairman	Current accounts		19,378	14,186
		Savings accounts		42	48
		Nostro accounts		USD 1,725	USD 783
				558,689*	284,331*
				GBP 846	GBP 826
				349,273*	361,250*
				EURO 1,719	EURO 1,316
				616,790*	509,039*
		Placements		USD 6,000	USD 8,000
				1,943,540*	2,904,880*
				GBP 10,700	GBP 52,000
				4,414,964 *	22,742,086*
Mr R M Priyantha 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		27,678	82,492
		Time Deposits		654	645
		Overdrafts		4	-
Colombo Lotus Tower Management Company (Private) Limited	Non-Executive Director	Current accounts		92,708	-
		Time Deposits		156,222	-

* LKR equivalent amount

Note : Currencies not specifically mentioned are in LKR

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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. In line with the approved annual audit plan, the Internal Audit Division carries out onsite as well as offsite internal audits using a variety of methodologies and the audit findings are submitted to the Board Audit Committee for review.

- 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 122 to 123.

- 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 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 01 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 continued to appreciate the changes in the external environment during the year 2023 when making provisions for foreign currency financial instruments and loans and advances. The stringent measures adopted by the government to ease the fiscal and economic stresses including domestic debt restructuring, changes in the inflation and interest rates were taken into consideration in this regard.

- In 2023, the Bank continued its compliance with the remaining moratorium packages which were introduced by the government to provide relief to those affected by COVID-19. The residual impact of COVID-19 on the Bank's customers in risk elevated industries such as tourism, constructions and textiles were also considered when assessing the impairment provisioning using the ECL models under SLFRS 9 - "Financial Instruments". On prudential basis, the Bank continued to apply the Economic Factor Adjustment (EFA) used in mid-2023 in calculating the expected losses for 2023, as the management is of the view that it is too early to capture the favourable movements in economic parameters reflected in end 2023.

- 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 2023 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
18 March 2024

INDEPENDENT ASSURANCE REPORT

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No. BAN/B/BOC/IC/2023

ඔබේ අංකය / உமது இல. / Your No.

දිනය / திகதி / Date 08 April 2024

The Chairman,

Bank of Ceylon.

Assurance Report of the Auditor General to the Board of Directors on the Directors' Statement on Internal Control over Financial Reporting of Bank of Ceylon

Introduction

This report is to provide assurance on the Directors' Statement on Internal Control over Financial Reporting (the "Statement") of Bank of Ceylon (the "Bank") included in the annual report for the year ended 31 December 2023.

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.

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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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 2023 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 2023 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 2023.

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 pages 156 and 157 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 122 to 125 of this Annual Report.

Audit report

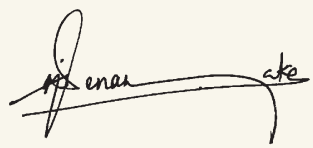
Pursuant to provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka, the Auditor General is the Auditor of the Bank and issues the final opinion on the Financial Statements of the Bank. The responsibilities of the Auditor in relation to the Financial Statements are set out in the Report of the Auditor General on pages 160 to 164 of this Annual Report. The Auditor General's certification on the effectiveness of the Bank's internal control mechanism is given on page 158 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

03 April 2024
Colombo

REPORT OF THE AUDITOR GENERAL

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

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எனது இல.
My No. BAN/B/BOC/FA/2023

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date 28 February 2024

The 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 2023 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 2023 comprising the statement of financial position as at 31 December 2023 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 material accounting policy information, 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. To carry out this audit I was assisted by a firm of chartered accountant in public practise.

In my opinion, the accompanying financial statements of the Bank and the Group give a true and fair view of the financial position of the Bank and the Group as at 31 December 2023, 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 sufficent and appropriate to provide a basis for my opinion.

1.3 Key Audit Matters

Key Audit Matters are those matters that, in my professional judgment, are of most significance in my audit of the Financial Statements of the current period. These matters were addressed in the context of my audit of the Financial Statements as a whole, and in forming my audit opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, my description of how my audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements.

Key audit matter	How my audit addressed the key audit matter

Impairment for Expected Credit Losses of Financial Assets measured at amortised cost
 	
Impairment for expected credit losses of financial assets measured at amortised cost comprising of both loans and advances and debt and other instruments as stated in Note 28 and 29, respectively, is determined by management based on the accounting policies described in Note 4.4.11
 	
This was a key audit matter due to
 	
• The involvement of significant management judgements, assumptions and level of estimation uncertainty associated in estimating management expectation of future cash flows to recover such financial assets; and
 	
• The materiality of the reported amount of Impairment of expected credit losses and use of complex calculations in its determination.
 	
Key areas of significant judgments, assumptions and estimates used by management in the assessment of the impairment for expected credit losses for financial assets measured at amortised cost included: assumed future occurrence of events and conditions relating to the ongoing foreign currency debt restructuring exercise, forward- looking macroeconomic scenarios and their associated weightages, which are subject to inherently heightened levels of estimation uncertainty.
	In addressing the adequacy of the Impairment for expected credit losses of Financial Assets measured at amortised cost, my audit procedures included the following key procedures.
	
	• Assessed the alignment of the Bank's Impairment for expected credit losses computations and underlying methodology including responses to the debt restructuring exercise and current economic conditions with its accounting policies, based on the best available information up to the date of my report.
	
	• Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and management.
	
	• Checked the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by agreeing details to relevant source documents and accounting records of the Bank.
	
	• Evaluated the reasonableness of credit quality assessments and related stage classifications.
	
	In addition to the above, the following procedures were performed:
	
	• For loans and advances assessed on an individual basis for impairment:
	
	  • Checked the arithmetical accuracy of the underlying individual impairment calculations.
	
	  • Evaluated the reasonableness of key inputs used in the allowance for expected credit losses made with particular focus on current economic volatility. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and the status of recovery actions of the collaterals.
	
	• For financial assets assessed on a collective basis for impairment:
	
	  • Tested the key inputs and the calculations used in the allowance for expected credit losses.

REPORT OF THE AUDITOR GENERAL

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Key audit matter	How my audit addressed the key audit matter
	• Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays. My testing included evaluating the reasonableness of forward-looking information used, 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, 29 & 4.4.11.
Information Technology (IT) systems related internal 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 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 involved my internal specialised resources and; • Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls, including those related to user access and change management, and • Obtained a high-level understanding of the cybersecurity risks affecting the bank and the actions taken to address these risks primarily through inquiry. • I tested 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 2023 Annual Report

The other information comprises the information included in the Group's 2023 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.

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When I read the Bank's 2023 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.

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 judgment 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.
- 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.

REPORT OF THE AUDITOR GENERAL

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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

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STATEMENT OF PROFIT OR LOSS

		Bank			Group		
For the year ended 31 December	Note	2023 LKR '000	2022 LKR '000	Change %	2023 LKR '000	2022 LKR '000	Change %
Total income	7	542,187,297	513,149,335	5.7	551,866,763	520,891,164	5.9
Interest income		524,797,842	456,267,458	15.0	532,477,761	463,203,346	15.0
Less : Interest expenses		433,610,256	329,921,080	31.4	436,967,649	333,434,454	31.1
Net interest income	8	91,187,586	126,346,378	(27.8)	95,510,112	129,768,892	(26.4)
Fee and commission income		25,875,048	22,837,771	13.3	26,235,325	23,165,682	13.3
Less : Fee and commission expenses		8,220,629	6,486,129	26.7	8,237,386	6,505,334	26.6
Net fee and commission income	9	17,654,419	16,351,642	8.0	17,997,939	16,660,348	8.0
Net gains/ (losses) from trading	10	(5,347,822)	17,602,384	(130.4)	(5,163,417)	17,678,455	(129.2)
Net fair value gains/ (losses) from financial instruments at fair value through profit or loss	11	858,722	(804,438)	(206.7)	1,448,963	(956,745)	(251.4)
Net gains/ (losses) from derecognition of financial assets	12	1,361,863	861,349	58.1	1,469,888	877,853	67.4
Net other operating income	13	(5,358,356)	16,384,811	(132.7)	(4,601,757)	16,922,573	(127.2)
Total operating income		100,356,412	176,742,126	(43.2)	106,661,728	180,951,376	(41.1)
Less : Impairment charge/ (reversal) for loans and other losses	14	(4,906,277)	87,155,696	(105.6)	(5,048,666)	87,294,905	(105.8)
Net operating income		105,262,689	89,586,430	17.5	111,710,394	93,656,471	19.3
Less : Operating expenses							
Personnel expenses	15	29,818,199	28,991,429	2.9	32,311,681	31,352,978	3.1
Depreciation and amortisation expenses	16	3,852,931	4,286,899	(10.1)	4,229,242	4,507,368	(6.2)
Other expenses	17	18,585,567	14,018,161	32.6	20,474,129	15,423,966	32.7
Total operating expenses		52,256,697	47,296,489	10.5	57,015,052	51,284,312	11.2
Operating profit/ (loss) before taxes on financial services		53,005,992	42,289,941	25.3	54,695,342	42,372,159	29.1
Less : Taxes on financial services	18.1	12,663,569	11,313,292	11.9	12,955,824	11,442,505	13.2
Operating profit/ (loss) after taxes on financial services		40,342,423	30,976,649	30.2	41,739,518	30,929,654	34.9
Share of profits/ (losses) of associate companies, net of tax	19	-	-	-	33,507	122,847	(72.7)
Profit/ (loss) before income tax		40,342,423	30,976,649	30.2	41,773,025	31,052,501	34.5
Less : Income tax expense/ (reversal)	18.2	13,648,897	(995,759)	(1,470.7)	14,155,438	(796,516)	(1,877.2)
Profit/ (loss) for the year		26,693,526	31,972,408	(16.5)	27,617,587	31,849,017	(13.3)
Profit attributable to :							
Equity holder of the Bank		26,693,526	31,972,408	(16.5)	27,571,569	31,994,638	(13.8)
Non-controlling interest		-	-	-	46,018	(145,621)	(131.6)
Profit/ (loss) for the year		26,693,526	31,972,408	(16.5)	27,617,587	31,849,017	(13.3)
Earnings per share and dividend per share	20						
Basic earnings per share (LKR)		1,067.74	1,278.90	(16.5)	1,102.86	1,279.79	(13.8)
Diluted earnings per share (LKR)		1,037.45	1,272.08	(18.4)	1,071.57	1,272.96	(15.8)
Dividend per share (LKR)		6.93	13.86	(50.0)	6.93	13.86	(50.0)

The Notes to the Financial Statements from pages 176 to 351 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

	Bank			Group		
For the year ended 31 December	2023 LKR '000	2022 LKR '000	Change %	2023 LKR '000	2022 LKR '000	Change %
Profit/ (loss) for the year	26,693,526	31,972,408	(16.5)	27,617,587	31,849,017	(13.3)
Items that will be reclassified to the profit or loss						
Exchange differences on translation of foreign operations	(1,977,563)	7,564,044	(126.1)	(2,286,201)	9,843,204	(123.2)
Net gains / (losses) on cash flow hedge instruments	(20,369,118)	22,381,369	(191.0)	(20,369,118)	22,381,369	(191.0)
Net gains/ (losses) on investments in debt instruments measured at fair value through other comprehensive income (FVTOCI)	165,673	1,328,890	(87.5)	272,685	1,312,732	(79.2)
Net (gains)/ losses on investment in financial assets at FVTOCI reclassification to profit or loss	-	(5,631)	(100.0)	-	(5,631)	(100.0)
Deferred tax effect on above	(148,518)	(140,185)	5.9	(148,518)	(140,185)	5.9
Share of other comprehensive income of Associate companies, net of tax	-	-	-	(2,109)	(20,342)	(89.6)
Total items that will be reclassified to the profit or loss	(22,329,526)	31,128,487	(171.7)	(22,533,261)	33,371,147	(167.5)
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)	1,786,818	(313,328)	(670.3)	2,412,486	547,780	340.4
Deferred tax effect on above	(107,990)	(586,301)	(81.6)	(107,990)	(586,301)	(81.6)
Changes in revaluation surplus/ (deficit)	6,880,746	1,818,193	278.4	8,635,144	3,695,662	133.7
Deferred tax effect on above	(1,961,601)	(1,859,253)	5.5	(2,487,921)	(2,422,494)	2.7
Net actuarial gains/ (losses) on defined benefit plans	(18,940,273)	(3,845,217)	392.6	(19,021,132)	(3,797,222)	400.9
Deferred tax effect on above	5,682,082	1,464,274	288.0	5,705,542	1,421,714	301.3
Total items that will not be reclassified to the profit or loss	(6,660,218)	(3,321,632)	100.5	(4,863,871)	(1,140,861)	326.3
Other comprehensive income for the year, net of tax	(28,989,744)	27,806,855	(204.3)	(27,397,132)	32,230,286	(185.0)
Total comprehensive income for the year	(2,296,218)	59,779,263	(103.8)	220,455	64,079,303	(99.7)
Attributable to:						
Equity holder of the Bank	(2,296,218)	59,779,263	(103.8)	157,628	64,189,129	(99.8)
Non-controlling interest	-	-	-	62,827	(109,826)	(157.2)
Total comprehensive income for the year	(2,296,218)	59,779,263	(103.8)	220,455	64,079,303	(99.7)

The Notes to the Financial Statements from pages 176 to 351 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Bank 2023 LKR '000	Bank 2022 LKR '000	Bank Change %	Group 2023 LKR '000	Group 2022 LKR '000	Group Change %
Assets							
Cash and cash equivalents	22	135,550,505	128,401,532	5.6	137,369,158	135,230,827	1.6
Balances with Central Banks	23	34,932,639	70,494,529	(50.4)	34,932,639	70,494,529	(50.4)
Placements with banks	24	74,966,171	16,459,303	355.5	73,024,979	17,811,665	310.0
Securities purchased under resale agreements	25	3,711,918	1,480,403	150.7	3,695,392	1,463,368	152.5
Derivative financial instruments	26	20,525,840	57,155,486	(64.1)	20,525,840	57,155,486	(64.1)
Financial assets recognised through profit or loss measured at fair value	27	40,642,530	10,280,055	295.4	48,830,871	10,636,190	359.1
Financial assets at amortised cost							
loans and advances	28	2,209,061,924	2,325,594,329	(5.0)	2,240,611,228	2,355,978,333	(4.9)
debt and other instruments	29	1,653,728,403	1,555,897,307	6.3	1,660,012,978	1,562,373,679	6.2
Financial assets measured at fair value through OCI	30	49,533,998	8,690,802	470.0	52,199,685	10,750,044	385.6
Investment in subsidiary companies	31	8,181,138	8,181,138	-	-	-	-
Investment in associate companies	32	92,988	92,988	-	737,115	684,536	7.7
Investment properties	33	2,414,640	2,414,640	-	95,446	104,798	(8.9)
Property, plant and equipment	34	42,564,498	34,845,004	22.2	59,566,898	50,992,323	16.8
Right of use assets/ leasehold properties	35	3,508,618	3,002,305	16.9	2,986,704	2,624,300	13.8
Intangible assets	36	1,554,875	1,442,433	7.8	1,654,722	1,593,344	3.9
Deferred tax assets	37	18,503,397	15,577,466	18.8	18,594,558	15,598,541	19.2
Other assets	38	112,274,233	96,449,984	16.4	112,921,804	97,276,598	16.1
Total assets		4,411,748,315	4,336,459,704	1.7	4,467,760,017	4,390,768,561	1.8
Liabilities							
Due to banks	39	3,047,732	11,514,897	(73.5)	3,162,463	11,547,714	(72.6)
Securities sold under repurchase agreements	40	78,463,070	180,218,543	(56.5)	77,829,770	179,938,744	(56.7)
Derivative financial instruments	41	2,169,202	921,033	135.5	2,169,202	921,033	135.5
Financial liabilities at amortised cost							
due to depositors	42	3,882,232,323	3,334,774,261	16.4	3,909,580,686	3,358,198,424	16.4
other borrowings	43	33,666,236	390,489,543	(91.4)	35,592,741	397,083,583	(91.0)
Debt securities issued	44	-	-	-	730,839	58,807	1,142.8
Current tax liabilities	45	7,621,675	6,523,443	16.8	7,877,471	6,853,709	14.9
Deferred tax liabilities	37	-	-	-	2,933,596	2,694,221	8.9
Insurance contract liabilities - Life	46.1	-	-	-	359,606	355,190	1.2
Insurance contract liabilities - Non life	46.2	-	-	-	671,728	662,773	1.4
Other liabilities	47	88,141,547	94,075,650	(6.3)	89,835,809	96,425,230	(6.8)
Subordinated liabilities	49	64,691,810	63,758,191	1.5	64,437,320	63,498,599	1.5
Total liabilities		4,160,033,595	4,082,275,561	1.9	4,195,181,231	4,118,238,027	1.9

As at 31 December	Note	Bank 2023 LKR '000	Bank 2022 LKR '000	Bank Change %	Group 2023 LKR '000	Group 2022 LKR '000	Group Change %
Equity							
Share capital	50	25,730,000	25,730,000	-	25,730,000	25,730,000	-
Permanent reserve fund	51	15,665,000	15,131,000	3.5	15,665,000	15,131,000	3.5
Retained earnings	52	171,351,609	158,616,238	8.0	173,063,302	159,819,481	8.3
Cashflow hedge reserve	53	5,251,517	25,620,635	(79.5)	5,251,517	25,620,635	(79.5)
Other reserves	54	33,716,594	29,086,270	15.9	51,748,171	45,172,451	14.6
Total equity attributable to equity holder of the Bank		251,714,720	254,184,143	(1.0)	271,457,990	271,473,567	-
Non-controlling interest	55	-	-	-	1,120,796	1,056,967	6.0
Total equity		251,714,720	254,184,143	(1.0)	272,578,786	272,530,534	-
Total liabilities and equity		4,411,748,315	4,336,459,704	1.7	4,467,760,017	4,390,768,561	1.8
Contingent liabilities and commitments	57	1,539,206,229	1,344,899,769	14.4	1,548,892,111	1,346,920,056	15.0
Net assets value per share (LKR)	50.2	10,068.59	10,167.37	(1.0)	10,858.32	10,858.94	-

The Notes to the Financial Statements from pages 176 to 351 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 2023 and its profit for the year then ended.

M P Ruwan Kumara
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

N C A Abeysekera
Director

W P Russel Fonseka
General Manager

27 February 2024
Colombo

STATEMENT OF CHANGES IN EQUITY

Bank

	Note	Share capital	Capital pending allotment	Permanent reserve fund	Cashflow hedge reserve
		LKR ' 000	LKR ' 000	LKR ' 000	LKR ' 000
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
Balance as at 1 January 2023		25,000,000	730,000	15,131,000	25,620,635
Total comprehensive income for the year					
Profit for the year		-	-	-	-
Other comprehensive income, net of tax		-	-	-	(20,369,118)
Total comprehensive income for the year		-	-	-	(20,369,118)
Transactions with equity holder, recognised directly in equity					
Dividends for 2023	20.3	-	-	-	-
Revaluation surplus of disposed property	54.1	-	-	-	-
Transfers to permanent reserve fund	51	-	-	534,000	-
Total transactions with equity holder		-	-	534,000	-
Balance as at 31 December 2023		25,000,000	730,000	15,665,000	5,251,517

The Notes to the Financial Statements from pages 176 to 351 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
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
861,324	10,909,464	17,315,482	158,616,238	254,184,143
-	-	-	26,693,526	26,693,526
1,695,983	(1,977,563)	4,919,145	(13,258,191)	(28,989,744)
1,695,983	(1,977,563)	4,919,145	13,435,335	(2,296,218)
-	-	-	(173,205)	(173,205)
-	-	(7,241)	7,241	-
-	-	-	(534,000)	-
-	-	(7,241)	(699,964)	(173,205)
2,557,307	8,931,901	22,227,386	171,351,609	251,714,720

STATEMENT OF CHANGES IN EQUITY

Group

	Note	Share capital	Capital pending allotment	Permanent reserve fund	Cashflow hedge reserve
		LKR ' 000	LKR ' 000	LKR ' 000	LKR ' 000
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	-	-
Transfer from OCI		-	-	-	-
Transfers to permanent reserve fund	51	-	-	640,000	-
Change of non controlling interest		-	-	-	-
Reversal of unclaimed dividend		-	-	-	-
Total transactions with equity holders		-	730,000	640,000	-
Balance as at 31 December 2022		25,000,000	730,000	15,131,000	25,620,635
Balance as at 1 January 2023		25,000,000	730,000	15,131,000	25,620,635
Total comprehensive income for the year					
Profit for the year		-	-	-	-
Other comprehensive income, net of tax		-	-	-	(20,369,118)
Total comprehensive income for the year		-	-	-	(20,369,118)
Transactions with equity holders, recognised directly in equity					
Dividends for 2023	20.3	-	-	-	-
Subsidiary dividends to non controlling interest		-	-	-	-
Transfers to permanent reserve fund	51	-	-	534,000	-
Revaluation surplus of disposed property	54.1	-	-	-	-
Transfers to other reserves		-	-	-	-
Reversal of unclaimed dividend		-	-	-	-
Total transactions with equity holders		-	-	534,000	-
Balance as at 31 December 2023		25,000,000	730,000	15,665,000	5,251,517

The Notes to the Financial Statements from pages 176 to 351 form an integral part of these Financial Statements.

Attributable to equity holder of the Bank					
Other reserves					
FVOCI reserve	Other reserves	Revaluation reserve	Retained earnings	Non-controlling interest	Total equity
LKR ' 000	LKR ' 000	LKR ' 000	LKR ' 000	LKR ' 000	LKR ' 000
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
2,584,356	15,029,992	27,558,103	159,819,481	1,056,967	272,530,534
-	-	-	27,571,569	46,018	27,617,587
2,415,451	(2,286,201)	6,136,562	(13,310,635)	16,809	(27,397,132)
2,415,451	(2,286,201)	6,136,562	14,260,934	62,827	220,455
-	-	-	(173,205)	-	(173,205)
-	-	-	-	(5,437)	(5,437)
-	-	-	(534,000)	-	-
-	-	(7,241)	7,241	-	-
-	317,149	-	(317,149)	-	-
-	-	-	-	6,439	6,439
-	317,149	(7,241)	(1,017,113)	1,002	(172,203)
4,999,807	13,060,940	33,687,424	173,063,302	1,120,796	272,578,786

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	Bank 2023 LKR '000	Bank 2022 LKR '000	Group 2023 LKR '000	Group 2022 LKR '000
Cash flows from operating activities					
Profit before income tax		40,342,423	30,976,649	41,773,025	31,052,501
Adjustments for:					
Net interest income	8	(91,187,586)	(126,346,378)	(95,510,112)	(129,768,892)
Dividend income	10/13	(322,009)	(450,977)	(389,099)	(515,426)
Dividends from subsidiaries and associates	13	(372,900)	(107,430)	-	-
Share of (profits)/ losses of associate companies, net of tax	19	-	-	(33,507)	(122,847)
Change in operating assets	56.1	130,572,896	(392,658,229)	126,112,293	(389,853,461)
Change in operating liabilities	56.2	106,210,544	510,080,706	108,724,603	517,045,767
Other non-cash items included in profit before tax	56.3	15,602,055	105,190,513	15,942,446	105,731,706
Other net (gains)/ losses from investing activities		(2,220,585)	(56,912)	(2,918,851)	72,145
		198,624,838	126,627,942	193,700,798	133,641,493
Benefit paid from defined benefit plans		(12,851,008)	(11,204,969)	(12,858,497)	(11,275,993)
Interest received		287,270,252	289,089,403	292,995,798	295,198,149
Interest paid		(402,296,042)	(177,094,051)	(405,747,564)	(180,307,490)
Dividends received		83,926	73,282	96,176	73,282
Net cash from / (used in) operating activities before income tax		70,831,966	227,491,607	68,186,711	237,329,441
Income tax paid	45	(12,124,580)	(5,500,380)	(12,604,215)	(5,796,331)
Surcharge tax paid		-	(6,738,542)	-	(7,042,422)
Net cash from / (used in) operating activities		58,707,386	215,252,685	55,582,496	224,490,688
Cash flows from investing activities					
Net increase in financial investments at amortised cost		(97,158,853)	(136,219,260)	(96,952,346)	(142,193,560)
Net increase in financial assets measured at fair value through OCI		(38,256,489)	10,731,712	(39,468,843)	14,095,845
Purchase of property, plant and equipment		(3,177,730)	(2,243,640)	(3,578,110)	(2,301,746)
Purchase of intangible assets		(476,639)	(1,027,211)	(478,130)	(1,039,078)
Proceeds from sale of property, plant and equipment		60,688	1,414	96,196	8,748
Dividends received		610,983	485,126	292,923	448,891
Interest received		179,414,013	115,497,384	181,368,386	116,324,524
Net cash from/ (used in) investing activities		41,015,973	(12,774,475)	41,280,076	(14,656,376)

For the year ended 31 December	Note	Bank 2023 LKR '000	Bank 2022 LKR '000	Group 2023 LKR '000	Group 2022 LKR '000
Cash flows from financing activities					
Net increase in other borrowings		(63,812,127)	(64,302,108)	(66,809,723)	(61,175,038)
Proceeds from issue of shares		-	730,000	-	730,000
Proceeds from issue of debentures/ capital bonds		10,000,000	6,490,000	10,622,830	6,557,700
Payments on redemption of debentures		(10,385,589)	(8,103,950)	(10,385,589)	(10,211,132)
Dividends paid to equity holder of the Bank		(173,205)	(346,410)	(173,205)	(346,410)
Dividends paid to non-controlling interest		-	-	(5,437)	-
Payments for repurchase of shares		-	-	-	(287,910)
Interest payments on borrowings and debt securities		(20,424,195)	(85,222,144)	(20,275,762)	(85,537,678)
Net cash from/ (used in) financing activities		(84,795,116)	(150,754,612)	(87,026,886)	(150,270,468)
Net increase / (decrease) in cash and cash equivalents during the year		14,928,243	51,723,598	9,835,686	59,563,844
Cash and cash equivalents at the beginning of the year		118,512,831	66,789,233	125,309,310	65,745,466
Cash and cash equivalents at the end of the year		133,441,074	118,512,831	135,144,996	125,309,310
Analysis of cash and cash equivalents					
Cash and cash equivalents	22	135,550,505	128,401,532	137,369,158	135,230,827
Bank overdrafts	39	(2,109,431)	(9,888,701)	(2,224,162)	(9,921,517)
Cash and cash equivalents at the end of the year		133,441,074	118,512,831	135,144,996	125,309,310

The Notes to the Financial Statements from pages 176 to 351 form an integral part of these Financial Statements.

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 2023 was 8,579 (2022- 8,209).

1.2 Consolidated financial statements

The Consolidated Financial Statements are prepared as at and for the year ended 31 December 2023 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 2023 were authorised for issue on 27 February 2024 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 2023, together with the comparative year data as at and for the year ended 31 December 2022, 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.

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

NOTES TO THE FINANCIAL STATEMENTS

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 material 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.

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 material 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

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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 Material accounting policies

The material 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 - "Financial Instrument", 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). 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

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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

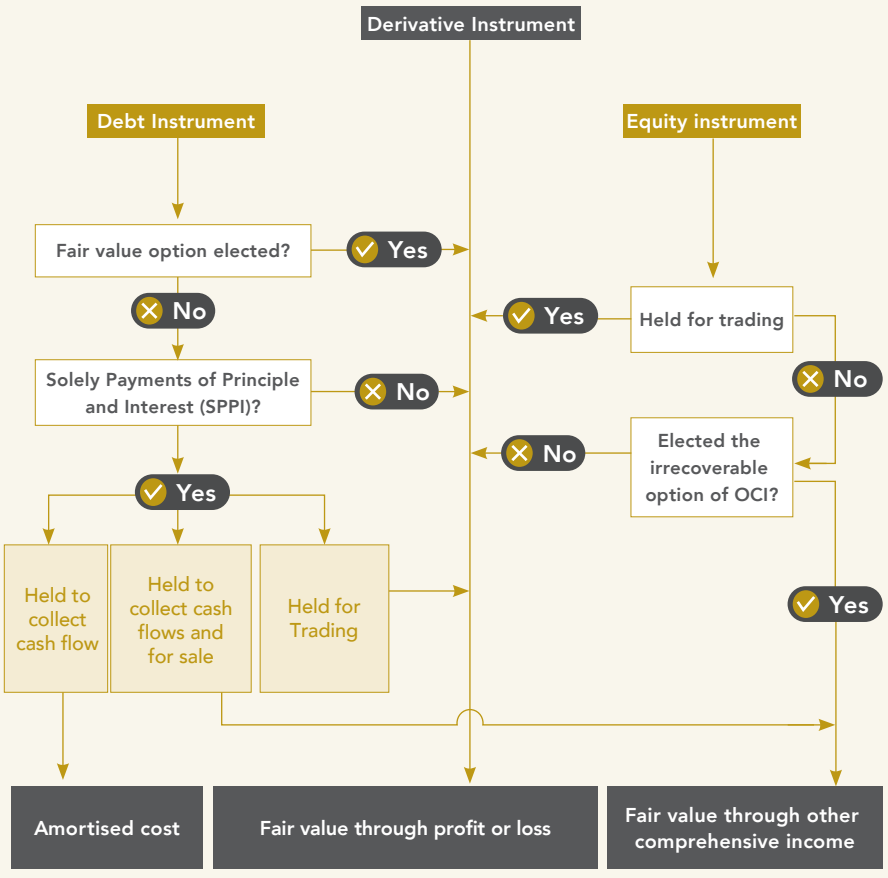
All financial assets and liabilities are initially recognised on the settlement date, i.e. the date that the Group becomes a party to the contractual provisions of the instrument. This includes; "regular way trades". Regular way trade means purchases or sales of financial assets that require delivery 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

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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 2023, 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 Combinations" 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.

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4.4.10.1 Upgrading of financial instruments

According to the CBSL 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)

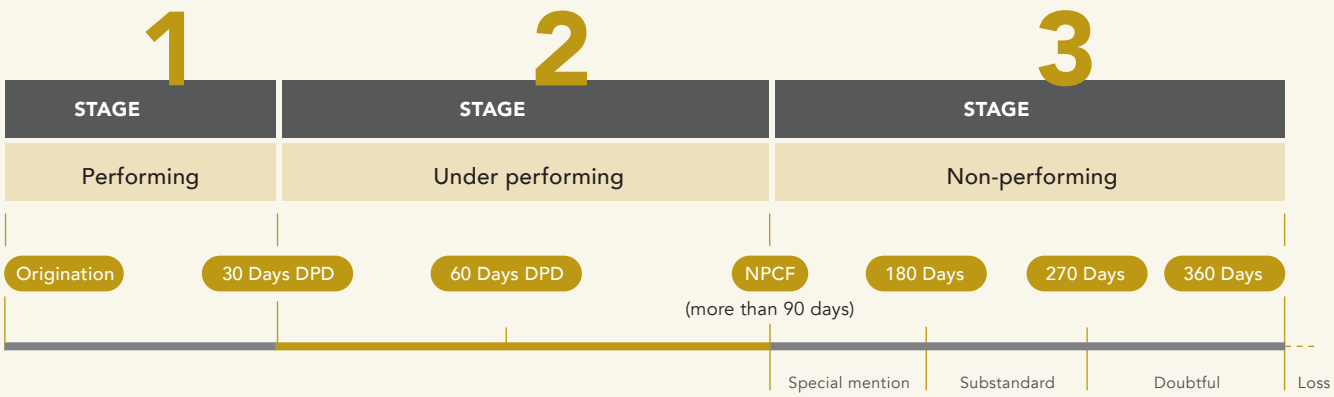
4.4.11.6.2 Non-performing credit facilities (NPCF)

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).



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 – "Financial assets at amortised cost - Loans and advances".	• 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 – "Financial assets at amortised cost - Loans and advances".

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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 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 distributes 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. 45 of 2022 WHT on dividends has been introduced with effect from 1 January 2023. Accordingly, dividend income received from subsidiaries and associate companies is liable for WHT at the rate of 15% and it is a final tax for the Bank.

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

NOTES TO THE FINANCIAL STATEMENTS

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 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.

6.1.2 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.

6.1.3 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 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 2024. Accordingly, these accounting standard has not been applied in the preparation of the Financial Statements for the year ended 31 December 2023. We have identified following Standard where this applies to the Group and further details are set out below:

6.2.1 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 2026.

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	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Interest income	8.1	524,797,842	456,267,458	532,477,761	463,203,346
Fee and commission income	9.1	25,875,048	22,837,771	26,235,325	23,165,682
Net gains/ (losses) from trading	10	(5,347,822)	17,602,384	(5,163,417)	17,678,455
Net fair value gains/ (losses) from financial instruments at fair value through profit or loss	11	858,722	(804,438)	1,448,963	(956,745)
Net gains/ (losses) from derecognition of financial assets	12	1,361,863	861,349	1,469,888	877,853
Net other operating income	13	(5,358,356)	16,384,811	(4,601,757)	16,922,573
Total income		542,187,297	513,149,335	551,866,763	520,891,164

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 and financial liabilities measured at Amortised Cost (AC)
- Financial assets recognised through Profit or Loss - Measured at Fair Value (FVTPL)
- Financial assets measured at Fair Value Through Other Comprehensive Income (FVTOCI)

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 statement of profit or losse.

8.1 Interest income

	Bank		Group	
For the year ended 31 December	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Cash and cash equivalents	2,162,274	595,465	2,162,274	881,761
Placements with banks	2,635,457	396,817	3,091,095	405,672
Securities purchased under resale agreements	1,776,019	96,718	1,810,576	75,167
Financial assets recognised through profit or loss measured at fair value	5,328,979	444,197	5,328,979	447,726
Financial assets at amortised cost				
loans and advances	335,051,290	310,238,562	340,286,641	316,070,181
debt and other instruments	175,305,169	143,777,962	177,255,006	144,543,793
Financial assets measured at fair value through OCI	2,538,654	717,737	2,543,190	779,046
Total interest income	524,797,842	456,267,458	532,477,761	463,203,346

Interest income on loans and advances includes interest on credit impaired loans and advances amounting to LKR 5,827.9 million for the year 2023 (2022 - LKR 1,745.7 million).

8.2 Interest expenses

	Bank		Group	
For the year ended 31 December	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Due to banks	94,251	477,472	114,668	511,004
Securities sold under repurchase agreements	33,146,868	36,443,268	33,146,868	36,438,543
Financial liabilities at amortised cost				
due to depositors	377,581,695	231,793,666	381,012,800	234,767,352
other borrowings	10,734,756	52,848,179	10,716,574	53,413,547
Subordinated liabilities	12,052,686	8,358,495	11,976,739	8,304,008
Total interest expenses	433,610,256	329,921,080	436,967,649	333,434,454
Net interest income	91,187,586	126,346,378	95,510,112	129,768,892

8.3 Net interest income from Sri Lanka Government Securities

	Bank		Group	
For the year ended 31 December	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Interest income	171,796,811	119,745,901	173,685,878	119,805,011
Less : Interest expenses	33,146,868	36,443,268	33,146,868	36,438,543
Net interest income from Sri Lanka Government Securities	138,649,943	83,302,633	140,539,010	83,366,468

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	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Trade services	3,261,176	3,931,144	3,261,176	4,060,300
Debit and credit cards	11,633,316	8,876,177	11,634,947	8,876,177
Travel and remittances services	3,335,485	3,744,864	3,335,485	3,753,231
Custodial services	64,847	60,667	64,847	60,667
Retail banking services	4,699,583	3,890,089	4,883,879	4,057,370
Guarantees and related services	1,921,328	1,582,641	1,921,328	1,582,641
Other financial services	959,313	752,189	1,133,663	775,296
Total fee and commission income	25,875,048	22,837,771	26,235,325	23,165,682

9.2 Fee and commission expense

	Bank		Group	
For the year ended 31 December	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Debit and credit cards	7,303,632	5,830,252	7,304,476	5,830,252
Travel and remittances services	258,035	266,482	258,035	266,482
Retail banking services	599,440	360,240	599,440	379,445
Guarantees and related services	19,864	10,728	19,864	10,728
Other financial services	39,658	18,427	55,571	18,427
Total fee and commission expenses	8,220,629	6,486,129	8,237,386	6,505,334
Net fee and commission income	17,654,419	16,351,642	17,997,939	16,660,348

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	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Foreign exchange				
From banks	-	6,494	172,155	76,071
From customers and others	(5,431,748)	17,522,608	(5,431,748)	17,529,102
Equities				
Dividend income	83,926	73,282	96,176	73,282
Net gains/ (losses) from trading	(5,347,822)	17,602,384	(5,163,417)	17,678,455

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	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Gains/ (losses) on marked to market valuation of				
Fixed income securities	79,102	29,671	638,326	29,671
Equities	437,879	(691,331)	440,102	(843,638)
Unit trust	341,741	(142,778)	370,535	(142,778)
Net gains/(losses) on financial assets at fair value through profit or loss	858,722	(804,438)	1,448,963	(956,745)

12 Net gains/(losses) from derecognition of financial assets

Accounting policy

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	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Recognised at:				
Fair value through profit or loss	702,105	751,322	702,105	766,423
Amortised cost	-	-	-	-
Fair value through other comprehensive income	659,758	110,027	767,783	111,430
Net gains/(losses) from derecognition of financial assets	1,361,863	861,349	1,469,888	877,853

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	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Dividend income from financial assets measured at fair value through OCI		238,083	377,695	292,473	441,973
Dividend income from subsidiaries and associates		372,900	107,430	-	-
Dividend income from units in unit trust		-	-	450	171
Gains / (losses) on revaluation of foreign exchange		(7,231,150)	15,450,104	(7,231,150)	15,450,104
Gains / (losses) on sale of property, plant and equipment		(6,612)	(7,950)	8,607	(7,410)
Gains / (losses) on sale of foreclosed properties		47,145	23,507	47,145	23,507
Rental income		300,057	235,980	272,756	232,728
Service income		-	-	850,557	280,468
Profit from sale of gold bullion		6,789	6,069	6,974	-
Miscellaneous income		950,333	131,581	708,772	84,685
Gross insurance premium		-	-	477,560	355,952
Net income from islamic banking	13.1	(35,901)	60,395	(35,901)	60,395
Net other operating income		(5,358,356)	16,384,811	(4,601,757)	16,922,573

13.1 Net income from islamic banking

For the year ended 31 December	Bank/Group 2023 LKR '000	Bank/Group 2022 LKR '000
Income from islamic banking operations	155,252	266,617
Less : Profit paid to investors	191,153	206,222
Net income from islamic banking	(35,901)	60,395

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 2023 Stage 1 LKR '000	Bank 2023 Stage 2 LKR '000	Bank 2023 Stage 3 LKR '000	Bank 2023 Total LKR '000	Group 2023 Stage 1 LKR '000	Group 2023 Stage 2 LKR '000	Group 2023 Stage 3 LKR '000	Group 2023 Total LKR '000
Cash and cash equivalents	22.2	38,436	-	-	38,436	38,436	-	-	38,436
Placements with banks	24.2	(275,170)	-	-	(275,170)	(275,170)	-	-	(275,170)
Financial assets measured at amortised cost - loans and advances	28.2	(7,670,654)	6,263,585	(1,256,775)	(2,663,844)	(7,817,368)	6,257,962	(1,261,537)	(2,820,943)
Financial assets measured at amortised cost - debt instruments	29.3	(320,867)	(1,684,832)	-	(2,005,699)	(320,867)	(1,684,832)	-	(2,005,699)
Financial assets measured at fair value through OCI	30.4	-	-	-	-	14,710	-	-	14,710
impairment charge/ (reversal) for loans and other losses		(8,228,255)	4,578,753	(1,256,775)	(4,906,277)	(8,360,259)	4,573,130	(1,261,537)	(5,048,666)

For the year ended 31 December	Note	Bank 2022 Stage 1 LKR '000	Bank 2022 Stage 2 LKR '000	Bank 2022 Stage 3 LKR '000	Bank 2022 Total LKR '000	Group 2022 Stage 1 LKR '000	Group 2022 Stage 2 LKR '000	Group 2022 Stage 3 LKR '000	Group 2022 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

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 - "Employee Benefits".

		Bank		Group	
For the year ended 31 December	Note	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Staff emoluments		23,866,223	23,859,475	25,711,503	25,693,378
Contributions to defined contribution plans	15.1	2,201,668	2,048,765	2,383,340	2,229,393
Contributions to defined benefit plans	15.2	1,868,440	1,455,762	1,982,003	1,539,682
Other personnel expenses		1,881,868	1,627,427	2,234,835	1,890,525
Total personnel expenses		29,818,199	28,991,429	32,311,681	31,352,978

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		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Employers' contribution to:				
Bank of Ceylon/Employees' Provident Fund	1,766,295	1,643,180	1,912,518	1,792,776
Employees' Trust Fund	435,373	405,585	470,822	436,617
Total contributions to defined contribution plans	2,201,668	2,048,765	2,383,340	2,229,393

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		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Net expenses recognised in the profit or loss					
Bank of Ceylon Pension Trust Fund	48.1.1	4,896,595	2,514,177	4,896,595	2,514,177
Bank of Ceylon Widows'/ Widowers' and Orphans' Pension Fund	48.2.1	(1,807,265)	(1,319,754)	(1,807,265)	(1,319,754)
Terminal gratuity	48.3	173,686	105,253	273,972	180,221
Bank of Ceylon Pension Fund - 2014	48.4.1	(1,566,380)	83,081	(1,566,380)	83,081
Provision for encashment of medical leave	48.5	171,804	73,005	171,804	73,005
Pension fund - Bank of Ceylon (UK) Limited		-	-	13,277	8,952
Total contributions to defined benefit plans		1,868,440	1,455,762	1,982,003	1,539,682

16 Depreciation and amortisation expenses

Accounting policy

The Group provides depreciation from the 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		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Depreciation of investment properties	33	-	-	9,190	2,906
Depreciation of property, plant and equipment	34	1,846,426	1,894,960	2,692,672	2,717,917
Amortisation of right of use assets/ leasehold properties	35	1,522,030	1,759,054	1,002,250	990,918
Amortisation of intangible assets	36	484,475	632,885	525,130	795,627
Total depreciation and amortisation expenses		3,852,931	4,286,899	4,229,242	4,507,368

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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 embodying 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.06 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	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Directors' emoluments	2,975	4,200	117,961	13,748
Auditors' remuneration				
Audit fees	46,612	35,504	99,805	78,277
Non-audit fees	-	-	1,372	766
Deposit insurance premium	3,271,248	3,111,665	3,306,617	3,146,594
Professional and legal expenses	236,828	158,948	303,084	242,892
Net revaluation (gain)/ loss on lands and buildings	341,757	(3,200)	341,757	(3,200)
Fixed assets maintenance expenses	5,872,616	3,737,614	5,956,869	3,408,364
Reinsurance premium, claims and other benefits	-	-	459,618	291,024
Office administration and establishment expenses	8,813,531	6,973,430	9,887,046	8,245,501
Total other expenses	18,585,567	14,018,161	20,474,129	15,423,966

18 Taxes

18.1 Taxes on financial services

Accounting policy

Taxes on financial services include 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	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Value added tax	11,122,618	11,031,979	11,378,354	11,155,847
Social security contribution levy	1,540,951	281,313	1,577,470	286,658
Total taxes on financial services	12,663,569	11,313,292	12,955,824	11,442,505

18.2 Income tax expense/(reversal)

Accounting policy

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, Inland Revenue (Amendment) Act, No. 45 of 2022 and Inland Revenue (Amendment) Act, No. 04 of 2023. As required by the Sri Lanka Accounting Standard-LKAS 12 - "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 expenses

		Bank		Group	
For the year ended 31 December	Note	2023	2022	2023	2022
		LKR '000	LKR '000	LKR '000	LKR '000
Current tax expense					
Income tax on current year profit		12,328,943	13,403,667	12,961,669	13,627,737
Adjustments in respect of prior years		781,912	146,793	989,298	146,793
Deferred tax expense					
Charge/ (reversal) of deferred tax expense	37	538,042	(14,546,219)	204,471	(14,571,046)
Total income tax expense for the year		13,648,897	(995,759)	14,155,438	(796,516)

NOTES TO THE FINANCIAL STATEMENTS

18.2.2 Reconciliation of accounting profit and income tax expense

For the year ended 31 December	Note	Bank		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Accounting profit before income tax		40,342,423	30,976,649	41,773,025	31,052,501
Add : Dividend income from subsidiaries and associates		-	-	372,900	107,430
		40,342,423	30,976,649	42,145,925	31,159,931
Add : Disallowable expenses		21,841,873	74,023,401	22,268,407	74,916,711
		62,184,296	105,000,050	64,414,332	106,076,642
Less: Allowable expenses		5,541,992	27,313,674	5,662,941	27,527,907
Less: Tax exempt income		16,683,203	26,607,014	16,683,203	26,607,015
Taxable income		39,959,101	51,079,362	42,068,188	51,941,720
Taxable income at the rate 30% (2022 - 24% & 30%)		39,959,101	50,561,160	42,068,188	51,292,184
Taxable income at the rate 15% (dividend received) (2022 - 14% & 15%)		-	518,202	-	649,536
Current tax at rate of 30% (2022 - 24% & 30%)		11,987,730	13,314,547	12,620,456	13,519,805
Tax on dividend received at rate of 15% (2022 - 14% & 15%)		-	75,072	-	93,884
Effect of different tax rates in other countries		341,213	14,048	341,213	14,048
Adjustment in respect of prior years		781,912	146,793	989,298	146,793
Charge/ (reversal) of deferred tax	37	538,042	(14,546,219)	204,471	(14,571,046)
Income tax expense for the year		13,648,897	(995,759)	14,155,438	(796,516)
The effective income tax rate (%)		33.8	(3.2)	33.9	(2.6)

Deferred tax on SLISB ECL

As at 31 December 2023 as disclosed in Note 37, the Bank has recognised a deferred tax asset on the impairment of financial assets amounting to LKR 20,998.6 million of which LKR 11,667.3 million was judgmentally estimated on the impairment of SLISB Investments made by the Bank.

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	2023	2022	
		From 01 July 2022	Up to 30 June 2022
	%	%	%
Tax rates applicable on local operations			
Hotels Colombo (1963) Limited	30.00	30.00	14.00
Ceybank Holiday Homes (Private) Limited	30.00	30.00	14.00

For the year ended 31 December	2023 %	2022 %
Tax rates applicable on foreign operations		
Banking operations in Male	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

19 Share of profits/ (losses) of associate companies, net of tax

Accounting policy

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	2023 LKR '000	2022 LKR '000
Ceybank Asset Management Limited	37,681	26,394
Lanka Securities (Private) Limited	(2,056)	70,240
Transnational Lanka Records Solutions (Private) Limited	(2,118)	26,213
Total share of profits/ (losses) of associate companies, net of tax	33,507	122,847

20 Earnings per share and dividend per share

20.1 Basic earnings per share

Accounting policy

In accordance with the Sri Lanka Accounting Standard - LKAS 33 - "Earnings Per Share", basic earning 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 (the denominator) during the year.

		Bank		Group	
For the year ended 31 December	Note	2023	2022	2023	2022
Profit attributable to ordinary shareholder of the Bank (LKR '000)		26,693,526	31,972,408	27,571,569	31,994,638
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)		1,067.74	1,278.90	1,102.86	1,279.79

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20.1.1 Weighted average number of ordinary shares in issue

	Bank		Group	
For the year ended 31 December	2023	2022	2023	2022
Number of ordinary shares in issue as at 01 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

Accounting policy

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).

		Bank		Group	
For the year ended 31 December	Note	2023	2022	2023	2022
Profit attributable to ordinary shareholder of the Bank (LKR '000)		26,693,526	31,972,408	27,571,569	31,994,638
Weighted average number of ordinary shares after adjusting for dilution	20.2.1	25,730,000	25,134,000	25,730,000	25,134,000
Diluted earnings per share (LKR)		1,037.45	1,272.08	1,071.57	1,272.96

20.2.1 Weighted average number of ordinary shares after adjusting for dilution

	Bank		Group	
For the year ended 31 December	2023	2022	2023	2022
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	730,000	134,000	730,000	134,000
Weighted average number of ordinary shares after adjusting for dilution	25,730,000	25,134,000	25,730,000	25,134,000

20.3 Dividend per share

Accounting policy

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.

		Bank		Group	
For the year ended 31 December	Note	2023	2022	2023	2022
Total dividend allocated to shareholder during the year (LKR '000)		173,205	346,410	173,205	346,410
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)		6.93	13.86	6.93	13.86

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	2023			
	Fair value through profit or loss	Fair value through OCI	Amortised cost	Total
	LKR '000	LKR '000	LKR '000	LKR '000
Financial assets				
Cash and cash equivalents	-	-	135,550,505	135,550,505
Balances with Central Banks	-	-	34,932,639	34,932,639
Placements with banks	-	-	74,966,171	74,966,171
Securities purchased under resale agreements	-	-	3,711,918	3,711,918
Derivative financial instruments	20,525,840	-	-	20,525,840
Loans and advances	-	-	2,209,061,924	2,209,061,924
Debt instruments	38,411,078	42,437,931	1,653,728,403	1,734,577,412
Equity instruments	2,231,452	7,096,067	-	9,327,519
Total financial assets	61,168,370	49,533,998	4,111,951,560	4,222,653,928

As at 31 December	2023		
	Fair value through profit or loss	Amortised cost	Total
	LKR '000	LKR '000	LKR '000
Financial liabilities			
Due to banks	-	3,047,732	3,047,732
Securities sold under repurchase agreements	-	78,463,070	78,463,070
Derivative financial instruments	2,169,202	-	2,169,202
Financial liabilities at amortised cost			
Due to depositors	-	3,882,232,323	3,882,232,323
Other borrowings	-	33,666,236	33,666,236
Subordinated liabilities	-	64,691,810	64,691,810
Total financial liabilities	2,169,202	4,062,101,171	4,064,270,373

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As at 31 December	2022			
	Fair value through profit or loss	Fair value through OCI	Amortised cost	Total
	LKR '000	LKR '000	LKR '000	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	Amortised cost	Total
	LKR '000	LKR '000	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

21.2 Group

As at 31 December	2023			
	Fair value through profit or loss	Fair value through OCI	Amortised cost	Total
	LKR '000	LKR '000	LKR '000	LKR '000
Financial assets				
Cash and cash equivalents	-	-	137,369,158	137,369,158
Balances with Central Banks	-	-	34,932,639	34,932,639
Placements with banks	-	-	73,024,979	73,024,979
Securities purchased under resale agreements	-	-	3,695,392	3,695,392
Derivative financial instruments	20,525,840	-	-	20,525,840
Loans and advances	-	-	2,240,611,228	2,240,611,228
Debt instruments	46,236,604	42,524,390	1,660,012,978	1,748,773,972
Equity instruments	2,594,267	9,675,295	-	12,269,562
Total financial assets	69,356,711	52,199,685	4,149,646,374	4,271,202,770

As at 31 December	2023		
	Fair value through profit or loss	Amortised cost	Total
	LKR '000	LKR '000	LKR '000
Financial liabilities			
Due to banks	-	3,162,463	3,162,463
Securities sold under repurchase agreements	-	77,829,770	77,829,770
Derivative financial instruments	2,169,202	-	2,169,202
Financial liabilities at amortised cost			
Due to depositors	-	3,909,580,686	3,909,580,686
Other borrowings	-	35,592,741	35,592,741
Debt securities issued	-	730,839	730,839
Subordinated liabilities	-	64,437,320	64,437,320
Total financial liabilities	2,169,202	4,091,333,819	4,093,503,021

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	2022			
	Fair value through profit or loss	Fair value through OCI	Amortised cost	Total
	LKR '000	LKR '000	LKR '000	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	7,954,525	3,361,267	1,562,373,679	1,573,689,471
Equity instruments	2,681,665	7,388,777	-	10,070,442
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	Amortised cost	Total
	LKR '000	LKR '000	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

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	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Local currency in hand		58,778,807	52,787,832	59,188,748	53,079,306
Foreign currency in hand		3,854,357	4,903,650	3,869,630	4,903,650
Balances with banks		22,025,466	41,947,117	23,418,948	42,335,121
Money at call and short notice		50,954,466	28,787,088	50,954,466	34,936,920
Gross cash and cash equivalents		135,613,096	128,425,687	137,431,792	135,254,997
Less - Accumulated impairment	22.2	62,591	24,155	62,634	24,170
Net cash and cash equivalents		135,550,505	128,401,532	137,369,158	135,230,827

22.1 Analysis of cash and cash equivalents based on exposure to credit risk

Bank

As at 31 December	2023				2022
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Total LKR '000
Balances with banks	22,025,466	-	-	22,025,466	41,947,117
Money at call and short notice	50,954,466	-	-	50,954,466	28,787,088
	72,979,932	-	-	72,979,932	70,734,205
Less - Accumulated impairment	62,591	-	-	62,591	24,155
Net cash equivalents	72,917,341	-	-	72,917,341	70,710,050

Group

As at 31 December	2023				2022
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Total LKR '000
Balances with banks	23,418,948	-	-	23,418,948	42,335,121
Money at call and short notice	50,954,466	-	-	50,954,466	34,936,920
	74,373,414	-	-	74,373,414	77,272,041
Less - Accumulated impairment	62,634	-	-	62,634	24,170
Net cash equivalents	74,310,780	-	-	74,310,780	77,247,871

NOTES TO THE FINANCIAL STATEMENTS

22.2 Movement in provision for impairment during the year

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Movement in Stage 1 impairment				
Balance as at 1 January	24,155	12,203	24,170	13,814
Charge/(write back) to income statement	38,436	11,952	38,436	10,356
Other movements	-	-	28	-
Balance as at 31 December	62,591	24,155	62,634	24,170

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Movement in total impairment				
Balance as at 1 January	24,155	12,203	24,170	13,814
Charge/(write back) to income statement	38,436	11,952	38,436	10,356
Other movements	-	-	28	-
Balance as at 31 December	62,591	24,155	62,634	24,170

23 Balances with Central Banks

Accounting policy

Balances with Central Banks are carried at amortised cost in the Statement of Financial Position

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Statutory balances with Central Banks				
Central Bank of Sri Lanka	25,082,652	63,270,482	25,082,652	63,270,482
Other Central Banks	9,849,987	7,224,047	9,849,987	7,224,047
Total balances with Central Banks	34,932,639	70,494,529	34,932,639	70,494,529

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 2023 was 2.0% (2022 - 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 (2022 - 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 2023 was 4.5% on its demand and term deposit liabilities. (2022 - 4.5%)

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. (2022 - 10.0% for Maldivian Rufiyaa and 10.0% 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 Seychelles rupee deposits of the branch's commercial deposits liabilities to the public in Seychelles and 13.0% for foreign currency deposits of the branch's commercial deposits liabilities to the public in Seychelles. (2022 - 13.0% 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	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Within Sri Lanka		2,381,765	680,503	2,381,765	784,185
Outside Sri Lanka		72,629,185	16,098,749	70,687,993	17,347,429
Gross placements with banks		75,010,950	16,779,252	73,069,758	18,131,614
Less - Accumulated impairment	24.2	44,779	319,949	44,779	319,949
Net placements with banks		74,966,171	16,459,303	73,024,979	17,811,665

24.1 Analysis of placements with banks based on exposure to credit risk

Bank

As at 31 December	2023				2022
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Total LKR '000
Within Sri Lanka	2,381,765	-	-	2,381,765	680,503
Outside Sri Lanka	72,629,185	-	-	72,629,185	16,098,749
	75,010,950	-	-	75,010,950	16,779,252
Less - Accumulated impairment	44,779	-	-	44,779	319,949
Net placements with banks	74,966,171	-	-	74,966,171	16,459,303

NOTES TO THE FINANCIAL STATEMENTS

Group

As at 31 December	2023				2022
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Total LKR '000
Within Sri Lanka	2,381,765	-	-	2,381,765	784,185
Outside Sri Lanka	70,687,993	-	-	70,687,993	17,347,429
	73,069,758	-	-	73,069,758	18,131,614
Less - Accumulated impairment	44,779	-	-	44,779	319,949
Net placements with banks	73,024,979	-	-	73,024,979	17,811,665

24.2 Movement in provision for impairment during the year

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Movement in Stage 1 impairment				
Balance as at 1st January	319,949	533	319,949	2,601
Charge/ (reversal) during the year	(275,170)	319,416	(275,170)	317,348
Balance as at 31 December	44,779	319,949	44,779	319,949

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Movement in total Impairment				
Balance as at 1st January	319,949	533	319,949	2,601
Charge/ (reversal) during the year	(275,170)	319,416	(275,170)	317,348
Balance as at 31 December	44,779	319,949	44,779	319,949

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	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
With banks	1,699,302	1,480,403	1,682,776	1,463,368
With customers	2,012,616	-	2,012,616	-
Total securities purchased under resale agreements	3,711,918	1,480,403	3,695,392	1,463,368

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	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Foreign currency derivatives				
Forward exchange contracts	4,415,152	3,045	4,415,152	3,045
Currency SWAPs	16,110,688	57,152,441	16,110,688	57,152,441
Total derivative financial instruments	20,525,840	57,155,486	20,525,840	57,155,486

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).

		Bank		Group	
As at 31 December	Note	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Measured at fair value					
Sri Lanka Government Securities					
Treasury bills		33,975,090	3,408,566	33,975,090	3,408,566
Treasury bonds		69,691	459,119	7,876,803	459,119
Quoted equities	27.2	2,231,452	2,387,814	2,594,267	2,681,665
Units in unit trusts	27.3	4,366,297	4,024,556	4,384,711	4,086,840
Financial assets recognised through profit or loss		40,642,530	10,280,055	48,830,871	10,636,190

NOTES TO THE FINANCIAL STATEMENTS

27.1 By currency

	Bank		Group	
As at 31 December	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Sri Lankan Rupee	40,642,530	10,280,055	48,830,871	10,636,190
Total	40,642,530	10,280,055	48,830,871	10,636,190

27.2 Quoted equities

27.2.1 Sector wise composition of quoted equities

	Bank					
As at 31 December	2023			2022		
Sector	Cost of investment	Market Value	Sector wise composition of market value	Cost of investment	Market Value	Sector wise composition of market value
	LKR '000	LKR '000	%	LKR '000	LKR '000	%
Banks	4,273	3,588	0.2	9,902	5,253	0.2
Capital goods	1,160,694	874,072	39.2	1,551,926	1,085,204	45.4
Consumer durables and apparel	123,565	87,847	3.9	144,930	87,402	3.7
Consumer services	668,914	374,801	16.8	697,470	312,240	13.1
Diversified financials	136,633	53,203	2.4	107,566	23,524	1.0
Energy	70,259	40,408	1.8	142,739	34,547	1.4
Food and staples retailing	-	-	-	23,200	23,475	1.0
Food, beverage and tobacco	483,623	328,790	14.7	554,882	319,510	13.4
Materials	366,257	219,266	9.8	423,762	225,475	9.4
Real estate	20,981	14,367	0.6	20,981	14,271	0.6
Retailing	160,669	83,406	3.7	160,669	92,487	3.9
Telecommunication services	7,496	19,881	0.9	7,496	14,552	0.6
Transportation	200,963	87,719	3.9	200,963	111,601	4.7
Utilities	62,026	44,104	2.1	62,026	38,273	1.6
Quoted equity bank [Note 27.2.2]	3,466,353	2,231,452	100.0	4,108,512	2,387,814	100.0

As at 31 December	Group					
	2023			2022		
Sector	Cost of investment	Market Value	Sector wise composition of market value	Cost of investment	Market Value	Sector wise composition of market value
	LKR '000	LKR '000	%	LKR '000	LKR '000	%
Banks	4,543	3,823	0.1	9,902	5,253	0.2
Capital goods	1,320,944	973,116	37.5	1,681,285	1,153,085	43.0
Commercial & professional services	2,468	1,892	0.1	693	512	0.0
Consumer durables and apparel	136,306	95,568	3.7	154,544	92,873	3.5
Consumer services	749,472	444,827	17.1	767,267	365,083	13.6
Diversified financials	214,330	90,430	3.5	185,302	61,155	2.3
Diversified holdings	4,621	3,892	0.2	-	-	-
Energy	70,259	40,408	1.6	144,615	35,633	1.3
Food and staples retailing	1,601	1,226	0.0	24,562	24,458	0.9
Food,beverage and tobacco	571,953	370,293	14.3	621,800	361,749	13.5
Health care equipment and services	2,351	2,110	0.1	669	526	0.0
Insurance	5,633	3,725	0.1	10,683	11,232	0.4
Materials	429,421	264,083	10.2	472,128	252,995	9.4
Real estate	41,085	25,415	1.0	40,412	24,700	0.9
Retailing	168,092	88,129	3.4	166,860	96,396	3.6
Software and services	1,362	748	0.0	1,277	1,020	0.0
Telecommunication services	7,496	19,881	0.8	7,496	14,552	0.5
Transportation	217,899	97,459	3.8	217,454	123,536	4.6
Utilities	87,945	67,242	2.6	85,618	56,907	2.1
Quoted equity group [Note 27.2.3]	4,037,781	2,594,267	100.0	4,592,567	2,681,665	100.0

NOTES TO THE FINANCIAL STATEMENTS

27.2.2 Quoted equities-Bank

As at 31 December	Bank							
	2023				2022			
	Number of ordinary shares	Cost of investment	Market price per share	Market value	Number of ordinary shares	Cost of investment	Market price per share	Market value
		LKR '000	LKR	LKR '000		LKR '000	LKR	LKR '000
Banks								
Hatton National Bank PLC	-	-	-	-	66,584	9,902	78.90	5,253
Seylan Bank PLC - Non - Voting	101,073	4,273	35.50	3,588	-	-	-	-
Total of bank sector		4,273		3,588		9,902		5,253
Capital goods								
Access Engineering PLC	2,326,286	72,603	20.30	47,224	2,376,286	74,164	10.70	25,426
Aitken Spence PLC	766,150	75,749	116.00	88,873	2,050,067	202,690	128.00	262,409
Brown & Company PLC	234,241	38,480	100.00	23,424	234,241	38,480	118.00	27,640
Central Industries PLC	66,598	6,828	87.30	5,814	-	-	-	-
Colombo Dockyard PLC	797,625	179,456	50.50	40,280	897,625	201,955	59.00	52,960
Hayleys PLC	373,839	37,383	71.40	26,692	250,000	25,956	68.00	17,000
Hemas Holdings	1,127,296	99,068	66.70	75,191	1,127,296	99,068	56.40	63,579
John Keells Holdings PLC	2,465,472	412,087	191.00	470,905	4,088,677	683,389	135.25	552,994
Lanka Walltile PLC	249,735	12,313	42.20	10,539	-	-	-	-
Lankem Ceylon PLC	72,400	32,702	64.50	4,670	72,400	32,702	91.20	6,603
Renuka Holdings PLC	1,287,089	40,626	12.70	16,346	1,255,887	40,123	13.80	17,331
Royal Ceramics Lanka PLC	850,000	64,218	26.40	22,440	850,000	64,218	28.30	24,055
The Colombo Fort Land & Building PLC	149,500	10,307	30.90	4,620	149,500	10,307	28.30	4,231
UNISYST Engineering PLC	1,673,758	27,116	5.80	9,708	1,673,758	27,116	5.70	9,540
Vallibel One PLC	712,143	51,758	38.40	27,346	712,143	51,758	30.10	21,436
Total of capital goods sector		1,160,694		874,072		1,551,926		1,085,204
Consumer durables and apparel								
Ambeon Holdings PLC	385,000	23,273	34.50	13,283	385,000	23,273	35.30	13,591
Hayleys Fabric PLC	505,325	21,138	40.50	20,466	1,259,527	49,543	22.60	28,465
Hela Apparel Holdings PLC	548,400	8,226	5.00	2,742	548,400	8,226	8.50	4,661
Regnis Lanka PLC	300,000	25,500	39.90	11,970	300,000	25,500	42.10	12,630
Teejay Lanka PLC	1,085,000	45,428	36.30	39,386	885,000	38,388	31.70	28,055
Total of consumer durables and apparel sector		123,565		87,847		144,930		87,402
Consumer services								
Asian Hotels and Properties PLC	2,367,741	225,788	58.00	137,329	2,367,741	225,788	37.40	88,554
Aitken Spence Hotel Holdings PLC	2,527,424	230,843	63.00	159,228	2,547,424	232,670	50.80	129,409
Citrus Leisure PLC	100,000	10,112	5.60	560	100,000	10,112	6.00	600
Eden Hotel Lanka PLC	775,550	41,864	10.10	7,833	775,550	41,864	17.60	13,650
Hayleys Leisure PLC	686,139	30,665	21.00	14,409	1,186,240	53,020	21.10	25,030
Tal Lanka Hotels PLC	387,400	26,014	19.00	7,361	447,400	30,043	16.40	7,337
Tangerine Beach Hotels PLC	50,000	5,056	52.50	2,625	50,000	5,056	59.10	2,955
The Fortress Resorts PLC	1,451,100	50,165	18.50	26,845	1,461,100	50,510	15.90	23,231
Trans Asia Hotels PLC	477,200	48,407	39.00	18,611	477,200	48,407	45.00	21,474
Total of consumer services sector		668,914		374,801		697,470		312,240

As at 31 December	Bank							
	2023				2022			
	Number of ordinary shares	Cost of investment	Market price per share	Market value	Number of ordinary shares	Cost of investment	Market price per share	Market value
		LKR '000	LKR	LKR '000		LKR '000	LKR	LKR '000
Diversified financials								
Ceylon Guardian Investment Trust PLC	107,248	32,506	83.30	8,934	107,248	32,506	62.80	6,735
Ceylon Investment PLC	538,124	75,061	45.00	24,216	538,124	75,060	31.20	16,789
Commercial Credit and Finance PLC	300,000	10,244	29.10	8,730	-	-	-	-
First Capital Holdings PLC	157,382	7,785	28.10	4,422	-	-	-	-
First Capital Treasuries PLC	274,936	11,037	25.10	6,901	-	-	-	-
Total of diversified financials sector		136,633		53,203		107,566		23,524
Energy								
Laugfs Gas PLC - Non-voting	1,683,646	70,259	24.00	40,408	3,420,538	142,739	10.10	34,547
Total of energy sector		70,259		40,408		142,739		34,547
Food and staples retailing								
Cargills (Ceylon) PLC	-	-	-	-	100,000	23,200	234.75	23,475
Total of food and staples retailing sector		-		-		23,200		23,475
Food, beverage and tobacco								
Bukit Darah PLC	69,257	48,762	385.00	26,664	119,257	83,965	291.75	34,793
Carson Cumberbatch PLC	313,352	141,328	242.25	75,910	313,352	141,328	269.75	84,527
Ceylon Tobacco Company PLC	141,887	135,865	953.75	135,325	143,175	137,098	625.00	89,484
Horana Plantations PLC	465,700	39,720	41.70	19,420	465,700	39,720	61.90	28,827
Kahawatte Plantations PLC	371,164	15,014	16.00	5,939	371,164	15,013	24.50	9,094
Kotagala Plantations PLC	729,997	34,709	6.20	4,526	729,997	34,709	7.70	5,621
Lucky Lanka Milk Processing PLC - Non-voting	-	-	-	-	91,900	276	0.80	74
Lucky Lanka Milk Processing PLC - Voting	-	-	-	-	1,000,000	6,000	1.10	1,100
Melstacorp PLC	-	-	-	-	713,504	41,825	46.20	32,964
Sunshine Holdings PLC	1,196,198	68,225	51.00	61,006	949,010	54,948	34.80	33,026
Total of food, beverage and tobacco sector		483,623		328,790		554,882		319,510
Materials								
Alumex PLC	2,254,360	34,864	8.10	18,260	2,254,360	34,864	7.20	16,231
Chemanex PLC	118,179	18,563	68.60	8,107	118,179	18,563	72.00	8,509
Chevron Lubricants Lanka PLC	1,272,121	161,138	90.30	114,873	1,272,121	161,138	96.50	122,760
CIC Holdings PLC - Non-voting	110,200	6,071	42.50	4,684	-	-	-	-
Dipped Products PLC	676,913	39,302	27.90	18,886	676,913	39,302	29.10	19,698
Lanka Cement PLC	-	-	-	-	7,265,828	63,576	2.50	18,165
Swisstek (Ceylon) PLC	567,798	26,441	15.60	8,858	567,798	26,441	15.70	8,914
Tokyo Cement Co Ltd	1,199,941	79,878	38.00	45,598	1,199,941	79,878	26.00	31,198
Total of materials sector		366,257		219,266		423,762		225,475

NOTES TO THE FINANCIAL STATEMENTS

	Bank							
As at 31 December	2023				2022			
	Number of ordinary shares	Cost of investment	Market price per share	Market value	Number of ordinary shares	Cost of investment	Market price per share	Market value
		LKR '000	LKR	LKR '000		LKR '000	LKR	LKR '000
Real estate								
Overseas Realty (Ceylon) PLC	957,794	20,981	15.00	14,367	957,794	20,981	14.90	14,271
Total of real estate sector		20,981		14,367		20,981		14,271
Retailing								
Diesel and Motor Engineering PLC	61,054	63,661	511.50	31,229	61,054	63,661	599.00	36,571
Hunters & Company PLC	17,989	14,552	611.25	10,996	17,989	14,552	707.00	12,718
John Keells PLC	250,200	22,758	64.20	16,063	250,200	22,758	65.10	16,288
Odel PLC	222,295	9,325	14.00	3,112	222,295	9,325	17.30	3,846
R I L Property PLC	2,478,566	34,176	5.10	12,641	2,478,566	34,176	5.70	14,128
Sathosa Motors PLC	13,194	5,111	188.00	2,480	13,194	5,111	130.25	1,719
United Motors Lanka PLC	118,500	11,086	58.10	6,885	118,500	11,086	60.90	7,217
Total of retailing sector		160,669		83,406		160,669		92,487
Telecommunication services								
Sri Lanka Telecom PLC	214,000	7,496	92.90	19,881	214,000	7,496	68.00	14,552
Total of telecommunication services sector		7,496		19,881		7,496		14,552
Transportation								
Expolanka Holdings PLC	612,352	200,963	143.25	87,719	612,352	200,963	182.25	111,601
Total of transportation sector		200,963		87,719		200,963		111,601
Utilities								
Laugfs Power PLC - Non -voting	947,089	-	7.80	7,387	1,297,831	-	6.80	8,825
Panasian Power PLC	1,029,200	6,402	3.40	3,499	1,029,200	6,402	3.40	3,499
Resus Energy PLC	1,066,031	37,729	15.00	15,990	1,066,031	37,729	11.80	12,579
Windforce PLC	897,300	17,895	19.20	17,228	897,300	17,895	14.90	13,370
Total of utilities sector		62,026		44,104		62,026		38,273
Total quoted equities		3,466,353		2,231,452		4,108,512		2,387,814

27.2.3 Quoted equities - Group

As at 31 December	Group							
	2023				2022			
	Number of ordinary shares	Cost of investment	Market price per share	Market value	Number of ordinary shares	Cost of investment	Market price per share	Market value
		LKR '000	LKR	LKR '000		LKR '000	LKR	LKR '000
Banks								
Amana Bank PLC	102,124	270	2.30	235	-	-	-	-
Hatton National Bank PLC	-	-	-	-	66,584	9,902	78.90	5,253
Seylan banks PLC - Non - Voting	101,073	4,273	35.50	3,588	-	-	-	-
Total of banks sector		4,543		3,823		9,902		5,253
Capital goods								
Access Engineering PLC	2,989,254	92,315	20.30	60,682	2,851,278	90,552	10.70	30,509
ACL Cables PLC	123,750	10,507	68.80	8,514	54,000	4,980	70.10	3,785
Aitken Spence PLC	766,150	75,749	116.00	88,873	2,050,067	202,690	128.00	262,409
Alpha Fire Service PLC	21,224	732	35.90	762	-	-	-	-
Brown and Company PLC	350,737	69,817	100.00	35,074	331,079	67,958	118.00	39,067
Central Industries PLC	71,908	7,325	87.30	6,278	10,000	949	58.00	580
Colombo Dockyard PLC	847,625	183,952	50.50	42,805	947,625	206,451	59.00	55,910
E B Creasy & Company PLC	25,000	785	22.70	568	5,000	285	20.60	103
Hayleys PLC	602,614	57,487	71.40	43,027	324,275	33,113	68.00	22,051
Hemas Holdings PLC	1,279,311	111,507	66.70	85,330	1,212,811	106,862	56.40	68,403
John Keells Holdings PLC	2,486,843	415,431	191.00	474,987	4,152,544	693,008	135.25	561,632
Kelani Cables PLC	250	110	244.00	61	250	110	259.76	65
Lanka Tiles PLC	7,500	734	42.20	317	7,500	734	46.10	346
Lanka Walltiles PLC	249,735	12,313	42.20	10,539	-	-	-	-
Lankem Ceylon PLC	85,900	33,954	64.50	5,541	72,400	32,702	91.20	6,603
Mackwoods Energy PLC	1,350,000	4,194	1.80	2,430	1,200,000	3,848	2.50	3,000
MTD Walkers PLC	165,000	6,751	-	-	165,000	6,751	-	-
Renuka Holdings PLC	2,128,811	55,900	12.70	27,036	2,077,204	55,101	13.80	28,665
Renuka Holdings PLC -Non-voting	127	2	10.79	1	156	2	12.80	2
Richard Pieris and Company PLC	-	-	-	-	60,000	1,609	24.10	1,446
Royal Ceramics Lanka PLC	1,032,000	74,742	26.40	27,245	1,032,000	74,742	28.30	29,206
The Colombo Fort Land & Building PLC	149,500	10,307	30.90	4,620	149,500	10,307	28.30	4,231
Unisyst Engineering PLC	1,808,758	27,985	5.80	10,491	1,673,758	27,116	5.70	9,540
Vallibel One PLC	987,883	68,345	38.40	37,935	848,223	61,415	30.10	25,532
Total of capital goods sector		1,320,944		973,116		1,681,285		1,153,085

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Group							
	2023				2022			
	Number of ordinary shares	Cost of investment	Market price per share	Market value	Number of ordinary shares	Cost of investment	Market price per share	Market value
		LKR '000	LKR	LKR '000		LKR '000	LKR	LKR '000
Commercial and professional services								
E M L Consultants PLC	556,585	2,468	3.40	1,892	131,352	693	3.90	512
Total of commercial and professional services		2,468		1,892		693		512
Consumer durables and apparel								
Ambeon Capital PLC	500,000	5,035	7.40	3,700	80,000	1,004	9.90	792
Ambeon Holdings PLC	420,000	24,587	34.50	14,490	385,000	23,273	35.30	13,591
Blue Diamonds Jewellery Worldwide PLC-Non-voting	5,250,000	3,125	0.20	1,050	5,250,000	3,125	0.30	1,575
Hayleys Fabric PLC	505,325	21,138	40.50	20,466	1,359,527	53,472	22.60	30,725
Hela Apparel Holdings PLC	891,354	11,419	5.00	4,457	641,354	9,708	8.50	5,452
Regnis Lanka PLC	300,000	25,500	39.90	11,970	300,000	25,500	42.10	12,630
Singer Industries (Ceylon) PLC	1,486	74	33.00	49	1,486	74	35.90	53
Teejay Lanka PLC	1,085,000	45,428	36.30	39,386	885,000	38,388	31.70	28,055
Total of consumer durables and apparel sector		136,306		95,568		154,544		92,873
Consumer services								
Aitken Spence Hotel Holdings PLC	2,528,424	230,903	63.00	159,291	2,547,424	232,670	50.80	129,409
Anilana Hotels & Properties PLC	750,000	1,106	0.90	675	750,000	1,106	0.90	675
Asian Hotels and Properties PLC	2,367,741	225,788	58.00	137,329	2,367,741	225,788	37.40	88,554
Beruwala Resorts PLC	948,739	1,378	1.10	1,044	250,000	350	1.20	300
Browns Beach Hotel PLC	-	-	-	-	10,000	135	12.70	127
Citrus Leisure PLC	461,086	12,791	5.60	2,582	251,086	11,310	6.00	1,507
Eden Hotel Lanka PLC	953,293	46,402	10.10	9,628	903,293	45,541	17.60	15,898
Galadari Hotels (Lanka) PLC	25,000	356	16.00	400	50,000	724	12.50	625
Hayleys Leisure PLC	764,005	32,501	21.00	16,044	1,254,106	54,708	21.10	26,462
Hikkaduwa Beach Resort PLC	294,353	1,852	5.20	1,531	194,353	1,252	5.00	972
Mahaweli Reach Hotels PLC	50,000	724	12.20	610	-	-	-	-
Marawila Resorts PLC	260,000	702	2.60	676	-	-	-	-
Palm Garden Hotels PLC	37,500	2,489	41.20	1,545	35,000	2,341	55.30	1,936
Renuka City Hotels PLC	200	72	350.25	70	-	-	-	-
Renuka Hotels PLC	5,000	480	83.70	419	-	-	-	-
Serendib Hotels PLC	25,000	378	12.50	313	-	-	-	-
Tal Lanka Hotels PLC	404,129	26,380	19.00	7,678	447,400	30,043	16.40	7,337
Tangerine Beach Hotels PLC	61,500	5,848	52.50	3,229	52,500	5,256	59.10	3,103
The Fortress Resorts PLC	1,451,100	50,165	18.50	26,845	1,461,100	50,510	15.90	23,231
The Kandy Hotels Company (1938) PLC	140,006	1,285	8.40	1,176	215,006	1,972	7.20	1,548
The Kingsbury PLC	3,875,454	41,834	10.80	41,855	3,875,454	41,834	8.50	32,941
The Lighthouse Hotel PLC	124,467	4,704	31.50	3,921	124,467	4,704	30.00	3,734
Trans Asia Hotels PLC	477,200	48,407	39.00	18,611	477,200	48,407	45.00	21,474
Waskaduwa Beach Resort PLC	3,598,067	12,927	2.60	9,355	2,100,000	8,616	2.50	5,250
Total of consumer services sector		749,472		444,827		767,267		365,083

As at 31 December	Group							
	2023				2022			
	Number of ordinary shares	Cost of investment	Market price per share	Market value	Number of ordinary shares	Cost of investment	Market price per share	Market value
		LKR '000	LKR	LKR '000		LKR '000	LKR	LKR '000
Diversified financials								
Asia Asset Finance PLC	-	-	-	-	399,999	4,056	7.70	3,080
Asia Siyaka Commodities PLC	20,000	90	4.10	82	-	-	-	-
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
Ceylon Guardian Investment Trust PLC	107,248	32,506	83.30	8,934	107,248	32,506	62.80	6,735
Ceylon Investment PLC	610,489	82,008	45.00	27,472	603,169	81,740	31.20	18,819
Commercial Credit and Finance PLC	300,000	10,244	29.10	8,730	-	-	-	-
First Capital Holdings PLC	162,382	7,951	28.10	4,563	10,000	260	22.90	229
First Capital Treasuries PLC	274,936	11,037	25.10	6,901	-	-	-	-
Galle Face Capital Partners PLC	19,269	1,006	25.60	493	32,500	1,026	16.10	523
Guardian Capital Parteners PLC	-	-	-	-	18,472	1,006	16.10	297
HNB Finance PLC	42,500	355	5.20	221	25,000	259	4.20	105
Lanka Credit & Business Finance PLC	986,561	3,802	1.70	1,677	836,561	3,408	2.30	1,924
LB Finance PLC	40,000	2,947	62.30	2,492	25,000	1,867	40.00	1,000
LOLC Finance PLC	978,277	17,284	4.60	4,500	898,277	16,758	8.20	7,366
LOLC Holdings PLC	57,030	35,667	355.25	20,260	25,346	20,293	398.00	10,088
People's Leasing & Finance PLC	90,424	976	10.70	968	477,768	5,186	5.00	2,389
Shaw Wallace Investments PLC	14,115	172	8.10	114	20,213	238	7.10	144
SMB Finance PLC	1,337,753	1,070	0.60	803	-	-	-	-
SMB Finance PLC-Non-voting	5,000,000	3,000	0.30	1,500	5,000,000	3,000	0.30	1,500
Softlogic Finance PLC	122,056	4,215	5.90	720	122,056	4,215	11.30	1,379
Total of diversified financials sector		214,330		90,430		185,302		61,155
Diversified holdings								
Richard Pieris & Company PLC	189,854	4,621	20.50	3,892	-	-	-	-
Total of diversified holdings sector		4,621		3,892		-		-
Energy								
Laugfs Gas PLC - Non-voting	1,683,646	70,259	24.00	40,408	3,528,038	144,615	10.10	35,633
Total of energy sector		70,259		40,408		144,615		35,633
Food and staples retailing								
Cargills (Ceylon) PLC	-	-	-	-	100,000	23,200	234.75	23,475
Tess Agro PLC	783,224	1,098	1.10	862	733,224	1,048	1.10	807
Tess Agro PLC-Non-voting	520,353	503	0.70	364	220,353	314	0.80	176
Total of food and staples retailing sector		1,601		1,226		24,562		24,458

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As at 31 December	Group							
	2023				2022			
	Number of ordinary shares	Cost of investment	Market price per share	Market value	Number of ordinary shares	Cost of investment	Market price per share	Market value
		LKR '000	LKR	LKR '000		LKR '000	LKR	LKR '000
Food, beverage and tobacco								
Agalawatte Plantations PLC	178,500	8,919	32.60	5,819	147,500	7,895	31.90	4,705
Browns Investments PLC	4,075,000	40,827	4.70	19,153	2,440,262	29,811	7.00	17,082
Bukit Darah PLC	69,257	48,762	385.00	26,664	119,257	83,965	291.75	34,793
Carson Cumberbatch PLC	313,352	141,328	242.25	75,910	313,352	141,328	269.75	84,527
Ceylon Cold Stores PLC	243,008	14,871	42.40	10,304	187,000	12,200	36.90	6,900
Ceylon Tobacco Company PLC	141,887	135,865	953.75	135,325	143,175	137,098	625.00	89,484
Distilleries Company of Sri Lanka PLC	-	-	-	-	75,000	1,512	13.20	990
Elpitiya Plantations PLC	3,830	396	85.00	326	3,830	396	86.00	329
Horana Plantations PLC	465,700	39,720	41.70	19,420	465,700	39,720	61.90	28,827
HVA Foods PLC	160,000	1,286	3.80	608	160,000	1,342	3.70	592
Kahawatte Plantations PLC	376,164	15,109	16.00	6,019	371,164	15,013	24.50	9,094
Kotagala Plantations PLC	889,997	35,924	6.20	5,518	764,997	35,014	7.70	5,890
Kotmale Holdings PLC	2,296	952	390.00	895	2,296	952	386.25	887
Lucky Lanka Milk Processing PLC - Non-voting	2,514,546	14,958	-	-	91,900	276	0.80	74
Lucky Lanka Milk Processing PLC - Voting	-	-	-	-	1,000,000	6,000	1.10	1,100
Melstacorp PLC	-	-	-	-	893,504	51,679	46.20	41,280
Raigam Wayamba Salterns PLC	34,249	266	6.30	216	50,000	391	5.80	290
Renuka Agri Foods PLC	797,356	4,545	3.90	3,110	210,000	1,436	5.60	1,176
Sunshine Holdings PLC	1,196,198	68,225	51.00	61,006	969,221	55,772	34.80	33,729
Total of food, beverage and tobacco sector		571,953		370,293		621,800		361,749
Health care equipment and services								
Asiri Hospital Holdings PLC	5,000	210	24.60	123	5,000	210	25.70	129
Asiri Surgical Hospital PLC	124,860	1,685	12.90	1,611	25,000	387	13.00	325
E - Channelling PLC	24,000	384	14.00	336	-	-	-	-
Nawaloka Hospitals PLC	10,000	72	4.00	40	10,000	72	7.20	72
Total of health care equipment and services sector		2,351		2,110		669		526
Insurance								
Arpico Insurance PLC	10,000	300	22.50	225	10,000	300	22.70	227
Co-Operative Insurance Company PLC	75,000	254	2.40	180	-	-	-	-
Janashakthi Insurance Company PLC	-	-	-	-	14,634	480	31.70	464
Softlogic Capital PLC	370,000	3,894	6.50	2,405	1,035,000	9,843	10.10	10,454
Softlogic Life Insurance PLC	17,000	1,185	53.80	915	1,000	60	86.60	87
Total of insurance sector		5,633		3,725		10,683		11,232

As at 31 December	Group							
	2023				2022			
	Number of ordinary shares	Cost of investment	Market price per share	Market value	Number of ordinary shares	Cost of investment	Market price per share	Market value
		LKR '000	LKR	LKR '000		LKR '000	LKR	LKR '000
Materials								
Agstar PLC	110,000	1,107	8.50	935	-	-	-	-
Alumex PLC	2,986,628	43,412	8.10	24,192	2,914,070	42,790	7.20	20,981
Bogala Graphite Lanka PLC	44,002	3,423	50.00	2,200	39,002	3,099	45.80	1,786
Chemanex PLC	118,179	18,563	68.60	8,107	118,179	18,563	72.00	8,509
Chevron Lubricants Lanka PLC	1,416,521	175,563	90.30	127,912	1,341,521	168,708	96.50	129,457
CIC Holdings PLC-Non-voting	165,200	9,093	42.50	7,021	5,000	368	55.60	278
Dipped Products PLC	957,435	53,997	27.90	26,712	841,913	49,954	29.10	24,500
Ex-Pack Corrugated Cartons PLC	52,820	767	12.40	655	47,500	752	13.10	622
Haycarb PLC	59,500	5,623	64.30	3,826	57,500	5,503	57.60	3,312
Industrial Asphalts (Ceylon) PLC	750,000	275	0.40	300	500,000	200	0.30	150
JAT Holdings PLC	75,000	1,374	15.30	1,148	25,000	574	12.40	310
Lanka Cement PLC	-	-	-	-	7,265,828	63,576	2.50	18,165
Pelwatte Sugar Industries PLC	41,600	1,799	-	-	68,400	2,925	-	-
Richered Peries Export PLC	1,700	1,029	484.50	824	-	-	-	-
Swisstek (Ceylon) PLC	567,798	26,441	15.60	8,858	567,798	26,441	15.70	8,914
Tokyo Cement Co Ltd	1,199,941	79,878	38.00	45,598	1,285,043	83,390	26.00	33,411
Tokyo Cement Company (Lanka) PLC-Non-voting	152,500	7,077	38.00	5,795	100,000	5,285	26.00	2,600
Total of materials sector		429,421		264,083		472,128		252,995
Real estate								
Colombo Land and Development Company PLC	82,639	2,849	17.00	1,405	77,639	2,756	15.70	1,219
East West Properties PLC	585,000	6,793	7.40	4,329	500,000	6,014	8.00	4,000
Lanka Realty Investments PLC	261,876	6,148	10.60	2,776	245,000	5,881	10.10	2,475
Millennium Housing Developers PLC	10,000	36	2.90	29	-	-	-	-
Overseas Realty (Ceylon) PLC	957,794	20,981	15.00	14,367	996,735	21,577	14.90	14,851
Prime Lands Residencies PLC	150,000	1,995	6.50	975	150,000	1,995	6.50	975
Seylan Developments PLC	106,500	2,283	14.40	1,534	100,000	2,189	11.80	1,180
Total of real estate sector		41,085		25,415		40,412		24,700

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	Group							
As at 31 December	2023				2022			
	Number of ordinary shares	Cost of investment	Market price per share	Market value	Number of ordinary shares	Cost of investment	Market price per share	Market value
		LKR '000	LKR	LKR '000		LKR '000	LKR	LKR '000
Retailing								
Ceylon Tea Brokers PLC	-	-	-	-	35,000	176	4.20	147
Diesel and Motor Engineering PLC	61,054	63,661	511.50	31,229	61,054	63,661	599.00	36,571
Hunters and Company PLC	17,989	14,552	611.25	10,996	17,989	14,552	707.00	12,718
John Keells PLC	276,198	24,687	64.20	17,732	276,198	24,687	65.10	17,980
Odel PLC	222,295	9,325	14.00	3,112	222,295	9,325	17.30	3,846
R I L Property PLC	2,958,566	38,828	5.10	15,089	2,818,566	37,987	5.70	16,066
Sathosa Motors PLC	13,194	5,111	188.00	2,480	13,194	5,111	130.25	1,719
Singer (Sri Lanka) PLC	50,526	842	12.00	606	15,751	275	8.40	132
United Motors Lanka PLC	118,500	11,086	58.10	6,885	118,500	11,086	60.90	7,217
Total of retailing sector		168,092		88,129		166,860		96,396
Software and services								
hSenid Business Solutions PLC	65,000	1,362	11.50	748	60,000	1,277	17.00	1,020
Total of software and services		1,362		748		1,277		1,020
Telecommunication services								
Sri Lanka Telecom PLC	214,000	7,496	92.90	19,881	214,000	7,496	68.00	14,552
Total of telecommunication services sector		7,496		19,881		7,496		14,552
Transportation								
Expolanka Holdings PLC	680,339	217,899	143.25	97,459	677,839	217,454	182.25	123,536
Total of transportation sector		217,899		97,459		217,454		123,536
Utilities								
Laugfs Power PLC - Non-voting	1,024,938	714	7.80	7,995	1,375,680	714	6.80	9,355
Lotus Hydro Power PLC	21,240	183	8.80	187	-	-	-	-
LVL Energy Fund PLC	250,000	1,750	5.50	1,375	-	-	-	-
Panasian Power PLC	1,279,200	7,660	3.40	4,349	1,279,200	7,661	3.40	4,349
Resus Energy PLC	1,321,002	41,136	15.00	19,815	1,321,031	41,136	11.80	15,588
Vallibel Power Erathna PLC	716,322	4,966	7.20	5,158	750,000	5,205	6.30	4,725
Vidullanka PLC	1,550,000	12,519	6.70	10,385	1,450,000	11,885	6.10	8,845
Vidullanka PLC-Non-voting	150,000	1,122	5.00	750	150,000	1,122	4.50	675
Windforce PLC	897,300	17,895	19.20	17,228	897,300	17,895	14.90	13,370
Total of utilities sector		87,945		67,242		85,618		56,907
Total quoted equities		4,037,781		2,594,267		4,592,567		2,681,665

27.3 Units in unit trusts

As at 31 December	2023			2022		
	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	3,662,021	111,307,627	1,738,215	3,432,727
Ceybank Century Growth Fund	7,539,256	132,952	704,167	7,539,256	132,952	591,756
Ceybank Surekum Gilt Edged Fund	4,921	50	109	4,921	50	73
Total units in unit trusts		1,871,217	4,366,297		1,871,217	4,024,556
Group						
Ceybank Unit Trust	111,307,627	1,738,215	3,662,021	111,307,627	1,738,215	3,432,727
Ceybank Century Growth Fund	7,539,256	132,952	704,167	7,539,256	132,952	591,756
Ceybank Surekum Gilt Edged Fund	4,921	50	109	4,921	50	73
Comtrust Money Market Fund	313,271	2,777	5,197	313,271	2,777	4,186
First Capital Asset Management Limited	8,179	9,112	13,217	8,179	9,112	8,736
First Capital Money Market Fund	-	-	-	21,207	31,666	49,362
Total units in unit trusts		1,883,106	4,384,711		1,914,772	4,086,840

28 Financial assets at amortised cost - loans and advances

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).

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.

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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. 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 - "Financial Instruments" 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 $ECL_{LT} = \frac{\sum_t EAD_{LT} \times PD_{LT} \times LGD_T \times EFA_n}{(1 + EIR)} + \ldots + \frac{EAD_{LT} \times PD_{(LT-t)} \times LGD_T \times EFA_n}{(1 + EIR)^n}$
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.

NOTES TO THE FINANCIAL STATEMENTS

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
- Status of the industry business
- Regulatory impact
- Government policies

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 upto 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.

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 corporate and SME exposures 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.

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Further to the debt restructuring exercise currently being undertaken by the Government of Sri Lanka, certain guaranteed loans granted by Bank of Ceylon to a State Owned Enterprise were transferred to the Government balance sheet under the Ministry of Finance (MOF) pursuant to a cabinet decision effective from December 31, 2022 and currently the Bank is in discussion with the MOF to agree on the indicative debt service terms in relation to such loans owed to the Bank. MOF has agreed to an interim debt service rate until such time the indicative debt service terms in relation to these loans are finalised.

However, as the discussions between the Bank and the MOF are still on going as of the date of reporting, the impact of the said restructure is yet to be finalised and the bank will account for the indicative debt service terms once the terms are agreed.

Based on the best available information as of the date of release of these financial statements the management is of the view that the potential restructure based on the indicative terms is unlikely to have a material adverse impact on the Bank's Income Statement or net assets in line with SLFRS 9 - "Financial Instruments".

28.1 Financial assets at amortised cost - loans and advances

		Bank		Group	
As at 31 December	Note	2023	2022	2023	2022
		LKR '000	LKR '000	LKR '000	LKR '000
Gross loans and advances		2,457,771,739	2,584,778,967	2,491,980,528	2,617,905,189
Stage 1		1,807,745,963	1,986,928,070	1,830,121,287	2,002,738,770
Stage 2		338,162,831	273,220,831	347,245,385	277,121,666
Stage 3		311,862,945	324,630,066	314,613,856	338,044,753
Less: accumulated provision for impairment under:		248,709,815	259,184,638	251,369,300	261,926,856
Stage 1	28.2	31,412,474	39,710,949	32,622,298	39,904,019
Stage 2	28.2	28,817,796	25,419,553	29,929,889	25,564,731
Stage 3	28.2	188,479,545	194,054,136	188,817,113	196,458,106
Net loans and advances		2,209,061,924	2,325,594,329	2,240,611,228	2,355,978,333

28.1.1 Analysis of gross loans and advances - by product

		Bank					
As at 31 December		2023			2022		
	Note	Local currency loans	Foreign currency loans	Total	Local currency loans	Foreign currency loans	Total
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Term loans		712,215,257	704,469,083	1,416,684,340	746,658,700	788,273,917	1,534,932,617
Housing loans		71,231,393	32,858	71,264,251	78,125,880	46,205	78,172,085
Trade finance		51,417,495	70,443,434	121,860,929	39,846,557	73,328,306	113,174,863
Personal loans		360,375,320	-	360,375,320	413,928,850	-	413,928,850
Overdrafts		130,674,115	68,855,646	199,529,761	146,415,234	67,382,222	213,797,456
Credit cards		9,624,273	-	9,624,273	7,483,788	-	7,483,788
Lease rental receivables	28.4	15,995,619	-	15,995,619	20,673,590	-	20,673,590
Pawning		163,247,841	-	163,247,841	116,879,501	-	116,879,501
Foreclosed properties		3,891,415	8,149	3,899,564	3,325,096	8,624	3,333,720
Staff loans		23,342,463	218,051	23,560,514	26,186,008	32,490	26,218,498
Other		61,411,227	10,318,100	71,729,327	47,861,160	8,322,839	56,183,999
Gross loans and advances		1,603,426,418	854,345,321	2,457,771,739	1,647,384,364	937,394,603	2,584,778,967

As at 31 December	Note	Group 2023 Local currency loans LKR '000	Foreign currency loans LKR '000	Total LKR '000	2022 Local currency loans LKR '000	Foreign currency loans LKR '000	Total LKR '000
Term loans		718,675,881	718,143,803	1,436,819,684	755,678,340	795,933,677	1,551,612,017
Housing loans		71,256,953	32,858	71,289,811	78,155,920	46,205	78,202,125
Trade finance		51,641,847	70,443,434	122,085,281	40,077,612	73,328,306	113,405,918
Personal loans		361,359,304	-	361,359,304	415,315,733	-	415,315,733
Overdrafts		130,597,463	69,150,463	199,747,926	146,223,589	67,622,802	213,846,391
Credit cards		9,624,273	-	9,624,273	7,483,788	-	7,483,788
Lease rental receivables	28.4	24,381,339	-	24,381,339	29,509,308	-	29,509,308
Pawning		167,225,944	-	167,225,944	122,545,263	-	122,545,263
Foreclosed properties		3,891,415	8,149	3,899,564	3,325,096	8,624	3,333,720
Staff loans		23,580,654	237,421	23,818,075	26,420,658	46,269	26,466,927
Other		61,411,227	10,318,100	71,729,327	47,861,160	8,322,839	56,183,999
Gross loans and advances		1,623,646,300	868,334,228	2,491,980,528	1,672,596,467	945,308,722	2,617,905,189

28.1.2 Analysis of gross loans and advances - by currency

As at 31 December	Bank 2023 LKR '000	Bank 2022 LKR '000	Group 2023 LKR '000	Group 2022 LKR '000
Sri Lankan Rupees	1,603,426,418	1,647,384,364	1,623,646,300	1,672,596,467
United States Dollar	806,985,112	888,791,091	806,985,112	888,791,091
Great Britain Pound	1,076,789	1,110,713	15,065,696	9,024,833
Maldevian Rufiyaa	23,941,822	27,629,480	23,941,822	27,629,480
Euro	1,367,590	2,641,218	1,367,590	2,641,218
Indian Rupee	18,172,969	14,344,266	18,172,969	14,344,266
Seychellois Rupee	2,796,005	2,871,299	2,796,005	2,871,299
Other	5,034	6,536	5,034	6,535
Gross loans and advances	2,457,771,739	2,584,778,967	2,491,980,528	2,617,905,189

NOTES TO THE FINANCIAL STATEMENTS

28.2 Movement in Provision for Impairment during the year

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Movement in Stage 1 impairment				
Balance as at 1 January	39,710,949	24,417,936	39,904,019	24,541,662
Charge/ (reversal) during the year	(7,670,654)	15,135,491	(7,817,368)	15,204,835
Amount recovered / reversal during the year	-	-	-	-
Exchange rate variance on foreign currency impairment	(627,821)	347,791	(627,821)	347,791
Amount written-off during the year	-	-	-	-
Other movements	-	(190,269)	1,163,468	(190,269)
Balance as at 31 December	31,412,474	39,710,949	32,622,298	39,904,019

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Movement in Stage 2 impairment				
Balance as at 1 January	25,419,553	15,122,165	25,564,731	15,247,177
Charge/ (reversal) during the year	6,263,585	10,344,926	6,257,962	10,365,092
Amount recovered / reversal during the year	-	-	-	-
Exchange rate variance on foreign currency impairment	(2,865,342)	687,473	(2,865,342)	687,473
Amount written-off during the year	-	-	-	-
Other movements	-	(735,011)	972,538	(735,011)
Balance as at 31 December	28,817,796	25,419,553	29,929,889	25,564,731

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Movement in Stage 3 impairment				
Balance as at 1 January	194,054,136	123,365,781	196,458,106	126,448,164
Charge/ (reversal) during the year	16,465,658	49,602,382	16,460,896	49,496,367
Amount recovered/ reversal during the year	(17,722,433)	(4,322,117)	(17,722,433)	(4,322,117)
Exchange rate variance on foreign currency impairment	(4,317,816)	24,289,327	(4,317,816)	24,289,327
Amount written-off during the year	(86,065)	(18,554)	(86,065)	(18,554)
Other movements	86,065	1,137,317	(1,975,575)	564,919
Balance as at 31 December	188,479,545	194,054,136	188,817,113	196,458,106

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Movement in total impairment				
Balance as at 1 January	259,184,638	162,905,882	261,926,856	166,237,003
Charge/ (reversal) during the year	15,058,589	75,082,799	14,901,490	75,066,294
Amount recovered/ reversal during the year	(17,722,433)	(4,322,117)	(17,722,433)	(4,322,117)
Exchange rate variance on foreign currency impairment	(7,810,979)	25,324,591	(7,810,979)	25,324,591
Amount written-off during the year	(86,065)	(18,554)	(86,065)	(18,554)
Other movements	86,065	212,037	160,431	(360,361)
Balance as at 31 December	248,709,815	259,184,638	251,369,300	261,926,856

28.3 Sensitivity factors used to calculate impairement provision

		Sensitivity effect on impairment provisions	
	Sensitivity	2023 LKR '000	2022 LKR '000
Change in Loss Given Default (LGD)	1%	3,063,592	5,600,134
	-1%	(3,063,592)	(5,600,134)
Change in Economic Factor Adjustment (EFA)	Worst case degrades by 5%	1,086,540	402,585
	Worst case upgrades by 5%	(1,086,540)	(402,585)

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	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Gross lease rentals receivable				
Within one year	9,662,055	12,339,150	10,042,150	15,170,120
One to five years	10,693,168	14,505,542	18,531,230	18,531,230
More than five years	83,228	53,441	333,621	333,620
	20,438,451	26,898,133	28,907,001	34,034,970
Less : Unearned finance income	4,442,832	6,224,543	4,525,662	4,525,662
Gross lease rentals receivables	15,995,619	20,673,590	24,381,339	29,509,308
Less : Provision for impairment losses	1,021,043	777,902	2,145,118	1,901,977
Net lease rentals receivables	14,974,576	19,895,688	22,236,221	27,607,331

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		Group	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Government securities					
Treasury bills		312,941,117	30,163,644	314,299,888	34,264,372
Treasury bonds		1,260,787,465	1,236,801,214	1,264,752,387	1,238,665,103
Sri Lanka Soverign Bonds	29.4	87,344,675	92,256,000	87,669,056	92,609,945
Sri Lanka development bonds	29.5	-	193,631,101	-	193,631,101
Governement of Sri Lanka Restructuring Bonds	29.6	-	8,968,474	-	8,968,474
Debentures	29.7	2,132,036	3,427,632	2,159,648	3,427,632
Trust certificates	29.8	-	-	574,675	-
Government securities - In Maldives		38,752,030	44,463,297	38,752,030	44,463,297
Other investments		-	-	228,946	375,597
Gross financial assets at amortised cost - debt and other instruments		1,701,957,323	1,609,711,362	1,708,436,630	1,616,405,521
Less-Accumulated impairment	29.3	48,228,920	53,814,055	48,423,652	54,031,842
Net financial assets at amortised cost - debt and other instruments		1,653,728,403	1,555,897,307	1,660,012,978	1,562,373,679

29.1 Analysis of financial assets at amortised cost - debt and other instruments by currency

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Sri Lankan Rupee	1,575,860,618	1,279,360,964	1,582,015,544	1,285,701,178
United States Dollar	87,344,675	285,887,101	87,669,056	286,241,046
Maldivian Rufiyaa	38,752,030	44,463,297	38,752,030	44,463,297
Total	1,701,957,323	1,609,711,362	1,708,436,630	1,616,405,521

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	2023				2022
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Total LKR '000
Sri Lanka Soverign Bonds	-	87,344,675	-	87,344,675	92,256,000
Sri Lanka Development Bonds	-	-	-	-	193,631,101
Debentures	2,103,722	-	28,314	2,132,036	3,427,632
Government securities - In Maldives	38,752,030	-	-	38,752,030	44,463,297
	40,855,752	87,344,675	28,314	128,228,741	333,778,030
Less : Accumulated impairment	3,047	48,197,559	28,314	48,228,920	53,814,055
Total	40,852,705	39,147,116	-	79,999,821	279,963,975

Group

As at 31 December	2023				2022
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Total LKR '000
Sri Lanka Soverign Bonds	-	87,669,056	-	87,669,056	92,609,945
Sri Lanka Development Bonds	-	-	-	-	193,631,101
Debentures	2,131,334	-	28,314	2,159,648	3,427,632
Trust certificates	574,675	-	-	574,675	-
Government securities - In Maldives	38,752,030	-	-	38,752,030	44,463,297
Other investments	228,946	-	-	228,946	375,597
	41,686,985	87,669,056	28,314	129,384,355	334,507,572
Less : Accumulated impairment	220,834	48,174,504	28,314	48,423,652	54,031,842
Total	41,466,151	39,494,552	-	80,960,703	280,475,730

29.3 Movement in provision for impairment during the year

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Movement in Stage 1 impairment				
Balance as at 1 January	323,914	13,770,767	541,701	13,829,176
Charge/(reversal) during the year	(320,867)	(13,446,853)	(320,867)	(13,287,475)
Exchange adjustment	-	-	-	-
Balance as at 31 December	3,047	323,914	220,834	541,701

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Movement in Stage 2 impairment				
Balance as at 1 January	53,461,827	-	53,461,827	-
Charge/(reversal) during the year	(1,684,832)	29,510,499	(1,684,832)	29,510,499
Exchange adjustment	(3,579,436)	23,951,328	(3,602,491)	23,951,328
Balance as at 31 December	48,197,559	53,461,827	48,174,504	53,461,827

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 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	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Movement in total impairment				
Balance as at 1 January	53,814,055	13,799,081	54,031,842	13,857,490
Charge/(reversal) during the year	(2,005,699)	16,063,646	(2,005,699)	16,223,024
Exchange adjustment	(3,579,436)	23,951,328	(3,602,491)	23,951,328
Balance as at 31 December	48,228,920	53,814,055	48,423,652	54,031,842

Staging and allowances for ECL of ISB

International Sovereign Bonds issued by GOSL (SLISBs) are classified under stage 2 in line with Banking Act Direction No. 14 of 2021,- Classification, Recognition and Measurement of Financial Assets Other than Credit Facilities in Licensed Banks.The Bank considered the latest available information including the indicative terms of the external restructuring exercise currently being undertaken by the Government of Sri Lanka in estimating the impairment provision of SLISB's as at 31 December 2023.

Day 1 loss on LKR bonds which replaced Sri Lanka Development Bonds

The Day 1 losses relating to LKR bonds which replaced Sri Lanka Development Bonds as a part of the Domestic Debt Optimization exercise undertaken in July 2023 by the Government of Sri Lanka was estimated considering a comparable instrument as at 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS

29.4 Sri Lanka Sovereign Bonds (US Dollar bonds)

As at 31 December		Bank			
		2023		2022	
	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 5.875%	N/A*	26,856	8,699,284	26,856	9,751,854
Sri Lanka Sovereign Bonds - Fixed Rate 5.75%	N/A**	20,519	6,646,582	20,519	7,450,631
Sri Lanka Sovereign Bonds - Fixed Rate 6.85%	14.03.2024	11,656	3,775,650	11,656	4,232,374
Sri Lanka Sovereign Bonds - Fixed Rate 6.35%	28.06.2024	2,014	652,382	2,014	731,412
Sri Lanka Sovereign Bonds - Fixed Rate 6.85%	03.11.2025	49,101	15,904,958	49,101	17,829,182
Sri Lanka Sovereign Bonds - Fixed Rate 6.825%	18.07.2026	22,600	7,320,667	22,600	8,206,193
Sri Lanka Sovereign Bonds - Fixed Rate 6.20%	11.05.2027	23,565	7,633,253	23,565	8,556,675
Sri Lanka Sovereign Bonds - Fixed Rate 6.75%	18.04.2028	33,077	10,714,411	33,077	12,010,705
Sri Lanka Sovereign Bonds - Fixed Rate 7.85%	14.03.2029	32,352	10,479,567	32,352	11,747,322
Sri Lanka Sovereign Bonds - Fixed Rate 7.55%	28.03.2030	4,168	1,350,112	4,168	1,513,584
Total Sri Lanka Sovereign Bonds		225,908	73,176,866	225,908	82,029,932
Amortization adjustment on interest		43,738	14,167,809	28,162	10,226,068
Total Sri Lanka Sovereign Bonds		269,646	87,344,675	254,070	92,256,000

* Original maturity was on 25 July 2022, but yet to be settled

** Original maturity was on 18 April 2023, but yet to be settled

Note : 2023 USD/LKR 323.9233 and 2022 USD/LKR 363.1100

29.5 Sri Lanka Development Bonds (US Dollar bonds)

As at 31 December		Bank/ Group					
		2023			2022		
	Date of maturity	Amount invested USD '000	Cost of investment LKR '000	Amortised cost LKR '000	Amount invested USD '000	Cost of investment LKR '000	Amortised cost LKR '000
Fixed Rate							
Sri Lanka Development Bonds - Fixed Rate 5.75%	01.05.2023	-	-	-	5,000	1,815,550	1,832,881
Sri Lanka Development Bonds - Fixed Rate 7.75%	01.05.2023	-	-	-	150,000	54,466,500	55,165,043
Sri Lanka Development Bonds - Fixed Rate 7.95%	01.05.2024	-	-	-	200,000	72,622,000	73,577,120
Floating Rate							
6 months LIBOR plus 370 basis points	22.01.2023	-	-	-	5,000	1,815,550	1,873,026
6 months LIBOR plus 375 basis points	22.01.2023	-	-	-	5,000	1,815,550	1,872,621
6 months LIBOR plus 390 basis points	16.03.2023	-	-	-	5,000	1,815,550	1,857,695
6 months LIBOR plus 395 basis points	16.03.2023	-	-	-	5,000	1,815,550	1,857,432
Total Sri Lanka Development Bonds		-	-	-	375,000	136,166,250	138,035,818
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

Group				
	2023		2022	
	Amount invested USD '000	Cost of investment LKR '000	Amount invested USD '000	Cost of investment LKR '000
	26,856	8,699,284	26,856	9,751,854
	21,494	6,962,407	21,494	7,804,578
	11,656	3,775,650	11,656	4,232,374
	2,014	652,382	2,014	731,412
	49,101	15,904,958	49,101	17,829,182
	22,600	7,320,667	22,600	8,206,193
	23,565	7,633,253	23,565	8,556,675
	33,077	10,714,411	33,077	12,010,705
	32,352	10,479,567	32,352	11,747,322
	4,168	1,350,112	4,168	1,513,584
	226,883	73,492,691	226,883	82,383,879
	43,764	14,176,365	28,162	10,226,066
	270,647	87,669,056	255,045	92,609,945

NOTES TO THE FINANCIAL STATEMENTS

29.6 Government of Sri Lanka Restructuring Bonds

As at 31 December	Bank/ Group						
				2023		2022	
	Rate	Date of issue	Date of maturity	Cost of investment	Amortised cost	Cost of investment	Amortised cost
	%			LKR '000	LKR '000	LKR '000	LKR '000
For recapitalisation purposes	12.0	24.03.1993	01.02.2023	-	-	4,780,000	5,015,714
For settlement of loans	12.0	24.03.1993	01.02.2023	-	-	3,767,000	3,952,760
Total Government of Sri Lanka Restructuring Bonds				-	-	8,547,000	8,968,474

29.7 Debentures

As at 31 December	Bank							
			2023			2022		
	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	51,951	500,000	50,000	51,946
Ceylon Electricity Board	15.04.2026	9.35	4,601,000	460,100	490,279	4,601,000	460,100	490,793
Citizen Development Business Finance PLC	27.03.2023	14.20	-	-	-	2,000,000	200,000	221,212
Commercial Credit and Finance PLC	04.03.2026	9.00	1,000,000	100,000	107,389	1,000,000	100,000	107,389
DFCC Bank PLC	29.03.2025	13.00	2,250,000	225,000	246,619	2,250,000	225,000	246,797
Hatton National Bank PLC	01.11.2023	13.00	-	-	-	193,300	19,330	19,722
Hayleys PLC	31.07.2023	12.50	-	-	-	2,500,000	250,000	263,128
Hayleys PLC	26.08.2024	7.82	1,000,000	100,000	106,041	1,000,000	100,000	103,625
Hayleys PLC	26.08.2024	13.00	1,811,500	181,150	189,303	1,811,500	181,150	190,575
Kotagala Plantations PLC	31.08.2025	7.50	N/A	6,086	5,613	N/A	9,129	9,050
Kotagala Plantations PLC	31.08.2025	7.50	N/A	6,639	6,825	N/A	9,959	10,252
Lanka Orix Leasing Company PLC	27.09.2024	15.00	1,250,000	125,000	130,189	1,250,000	125,000	130,657
Lanka Orix Leasing Company PLC	24.02.2026	10.25	1,300,000	130,000	137,444	1,300,000	130,000	139,972
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
People's Leasing and Finance PLC	05.08.2026	9.00	999,915	99,992	119,559	999,915	99,992	112,615
Sampath Bank PLC	20.03.2023	12.50	-	-	-	2,500,000	250,000	258,703
Seylan Bank PLC	29.03.2023	12.85	-	-	-	2,500,000	250,000	258,244
Sri Lanka Telecom PLC	19.04.2028	12.75	5,000,000	500,000	512,510	5,000,000	500,000	512,513
Total debentures				2,009,445	2,132,036		3,235,138	3,427,632

As at 31 December			Group					
			2023			2022		
	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	51,951	500,000	50,000	51,946
Ceylon Electricity Board	15.04.2026	9.35	4,601,000	460,100	490,279	4,601,000	460,100	490,793
Citizen Development Business Finance PLC	27.03.2023	14.20	-	-	-	2,000,000	200,000	221,212
Commercial Credit and Finance PLC	04.03.2026	9.00	1,000,000	100,000	107,389	1,000,000	100,000	107,389
DFCC Bank PLC	29.03.2025	13.00	2,250,000	225,000	246,619	2,250,000	225,000	246,797
Hatton National Bank PLC	01.11.2023	13.00	-	-	-	193,300	19,330	19,722
Hayleys PLC	31.07.2023	12.50	-	-	-	2,500,000	250,000	263,128
Hayleys PLC	26.08.2024	7.82	1,000,000	100,000	106,041	1,000,000	100,000	103,625
Hayleys PLC	26.08.2024	13.00	1,811,500	181,150	189,303	1,811,500	181,150	190,575
Kotagala Plantations PLC	31.08.2025	7.50	N/A	6,086	5,613	N/A	9,129	9,050
Kotagala Plantations PLC	31.08.2025	7.50	N/A	6,639	6,825	N/A	9,959	10,252
Lanka Orix Leasing Company PLC	27.09.2024	15.00	1,250,000	125,000	130,189	1,250,000	125,000	130,657
Lanka Orix Leasing Company PLC	24.02.2026	10.25	1,300,000	130,000	137,444	1,300,000	130,000	139,972
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
People's Leasing and Finance PLC	05.08.2026	9.00	999,915	99,992	119,559	999,915	99,992	112,615
Sampath Bank PLC	20.03.2023	12.50	-	-	-	2,500,000	250,000	258,703
Seylan Bank PLC	29.03.2023	12.85	-	-	-	2,500,000	250,000	258,244
Seylan Bank PLC	02.05.2023	25.00	263,800	26,380	27,612	-	-	-
Sri Lanka Telecom PLC	19.04.2028	12.75	5,000,000	500,000	512,510	5,000,000	500,000	512,513
Total debentures				2,035,825	2,159,648		3,235,138	3,427,632

29.8 Trust Certificates

As at 31 December	Group			
	2023		2022	
	Cost of investment LKR '000	Amortised cost LKR '000	Cost of investment LKR '000	Amortised cost LKR '000
Commercial Credit & Finance PLC	150,000	167,663	-	-
LOLC Finance PLC	350,000	407,012	-	-
Total trust certificates	500,000	574,675	-	-

NOTES TO THE FINANCIAL STATEMENTS

30 Financial assets measured at fair value through OCI

Accounting policy

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	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Government Securities in Sri Lanka					
Treasury bills		27,551,288	-	27,551,288	-
Treasury bonds		12,020,034	326,563	12,106,493	326,563
Government Securities in India		2,866,609	3,034,704	2,866,609	3,034,704
Quoted equities	30.2	2,949,810	1,543,243	5,528,440	3,601,623
Unquoted Equities	30.3	4,146,257	3,786,292	4,146,855	3,787,154
Total financial assets measured at FVTOCI		49,533,998	8,690,802	52,199,685	10,750,044

30.1 By Currency

	Bank		Group	
As at 31 December	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Sri Lankan Rupee	42,756,145	2,104,819	45,421,832	4,164,061
United States Dollar	3,851,891	3,487,263	3,851,891	3,487,263
Euro	59,353	64,016	59,353	64,016
Indian Rupee	2,866,609	3,034,704	2,866,609	3,034,704
Total	49,533,998	8,690,802	52,199,685	10,750,044

30.2 Quoted equities

As at 31 December	2023			2022		
	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	31,749,539	1,928,451	2,063,720	30,210,035	1,859,497	966,721
People's Leasing & Finance PLC	14,803,129	240,815	158,393	14,803,129	240,815	74,016
Seylan Bank PLC	16,690,292	654,921	727,697	15,902,140	627,887	502,506
Total quoted equities		2,824,187	2,949,810		2,728,199	1,543,243
Group						
Asiri Hospitals Holdings PLC	30	30	1	30	30	1
Ceylinco Insurance PLC	26	26	64	26	26	58
Hatton National Bank PLC	18	18	3	18	18	2
LVL Energy Fund PLC	2,500,000	20,000	13,750	2,500,000	20,000	20,000
National Development Bank PLC	31,749,539	1,928,451	2,063,720	30,210,035	1,859,497	966,721
People's Leasing and Finance PLC	14,803,129	240,815	158,393	14,803,129	240,815	74,016
Seylan Bank PLC	16,690,292	654,921	727,697	15,902,140	627,887	502,506
Lanka Hospital Corporation PLC	21,329,000	213,290	2,564,812	21,329,000	213,290	2,038,319
Total quoted equities		3,057,551	5,528,440		2,961,563	3,601,623

NOTES TO THE FINANCIAL STATEMENTS

30.3 Unquoted equities

As at 31 December	Note	2023			2022		
		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	-	2,378,799	17,200	-	2,171,745
Regional Development Bank		16,448,448	162,300	162,300	16,448,448	162,300	162,300
Visa Inc.		17,438	-	1,473,092	17,438	-	1,315,518
SWIFT		29	64,016	59,353	29	64,016	64,016
			299,029	4,146,257		299,029	3,786,292
Fair value adjustment			3,847,228			3,487,263	
Less - Provision for impairment	30.4		-			-	
Total unquoted equities			4,146,257	4,146,257		3,786,292	3,786,292
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	-	2,378,799	17,200	-	2,171,745
Mega Containers Limited		1,000,000	10,000	-	1,000,000	10,000	-
Regional Development Bank		16,448,448	162,300	162,300	16,448,448	162,300	162,300
Ranwan Industries (Private) Limited		165,900	3,600	-	165,790	3,600	-
UB Finance Company Limited		2,506,562	17,546	544	2,506,562	17,546	808
Visa Inc.		17,438	-	1,473,092	17,438	-	1,315,518
SWIFT		29	64,016	59,353	29	64,016	64,016
			335,229	4,146,855		335,229	3,787,154
Fair value adjustment			3,847,228			3,472,817	
Less - Provision for impairment	30.4		35,602			20,892	
Total unquoted equities			4,146,855	4,146,855		3,787,154	3,787,154

30.4 Movement in provision for impairment during the year

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Movement in Stage 1 Impairment				
Balance as at 1 January	-	-	20,892	21,392
Charge/(reversal) during the year	-	-	14,710	-
Write-off during the year	-	-	-	(500)
Balance as at 31 December	-	-	35,602	20,892

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Movement in total impairment				
Balance as at 1 January	-	-	20,892	21,392
Charge/(reversal) during the year	-	-	14,710	-
Write-off during the year	-	-	-	(500)
Balance as at 31 December	-	-	35,602	20,892

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.

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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	Note	2023 LKR '000	2022 LKR '000
Investment in quoted subsidiaries	31.3	3,922,772	3,922,772
Investment in unquoted subsidiaries	31.4	4,658,366	4,658,366
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	2023 LKR '000	2022 LKR '000
Balance as at 1 January	8,581,138	8,581,138
Increase/ (decrease) in investments	-	-
Balance as at 31 December	8,581,138	8,581,138

31.2 Provision for impairment of investment in subsidiaries*

As at 31 December	2023 LKR '000	2022 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	2023		2022	
	Cost LKR '000	Market value LKR '000	Cost LKR '000	Market value LKR '000
Merchant Bank of Sri Lanka and Finance PLC (401,577,368 Ordinary shares)	3,922,772	1,766,940	3,922,772	1,365,363
Total investment in quoted subsidiaries	3,922,772	1,766,940	3,922,772	1,365,363

31.4 Investment in unquoted subsidiaries

As at 31 December	Bank			
	2023		2022	
	Cost	Directors' valuation	Cost	Directors' valuation
	LKR '000	LKR '000	LKR '000	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	860,270	860,270
Total investment in unquoted subsidiaries	4,658,366	4,258,366	4,658,366	4,258,366

31.5 Information relating to subsidiaries of the bank

As at 31 December	Ownership interest held by the Bank (Including indirect intrest)	
	2023	2022
	%	%
Quoted subsidiaries		
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 PLC (PDL)	97.89	97.89

Ceybank Holiday Homes (Private) Limited and MBSL Insurance Company Limited are indirect subsidiaries of the Bank.

BOC Management and Support Services (Private) Limited (MSS) is not in operation.

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31.6 Non-controlling interest (NCI) of subsidiaries

	2023			
	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)	19,282	3,317	13,966	(30)
Accumulated balance of NCI as at 31 December (LKR '000)	146,619	860,526	454,977	(29)
Dividends paid to NCI (LKR '000)	11,468	-	-	-

	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)	-	-	-	-

31.7 Summarised financial information of subsidiaries

For the year ended 31 December	2023				
	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	1,877,158	7,478,050	-	649,878	257,420
Profit/ (loss) before tax	1,292,120	68,395	-	453,794	126,107
Profit/ (loss) after tax	913,854	21,403	-	309,255	126,107
Other comprehensive income	520,607	(45,760)	-	32,065	(2,314)
Total comprehensive income	1,434,461	(24,357)	-	341,320	123,793
Statement of financial position as at 31 December					
Total assets	7,777,012	33,659,529	819	2,350,448	457,723
Total liabilities	828,248	30,028,343	43	134,046	130,051
Net assets	6,948,764	3,631,186	776	2,216,402	327,672
Dividends paid	257,707	-	-	139,380	6,500
Statement of cash flows for the year					
Operating cash flows	12,358	6,383,468	(36)	47,527	58,705
Investing cash flows	158,268	(6,717,620)	-	104,463	180,991
Financing cash flows	(255,702)	421,018	-	(139,306)	(8,983)
Net increase/ (decrease) in cash and cash equivalents	(85,076)	86,866	(36)	12,684	230,713

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	2023			
	HCL LKR '000	HH LKR '000	MBSL INS LKR '000	BoC UK LKR '000
Statement of profit or loss for the year				
Total income	271,397	177,976	977,383	3,031,190
Profit/ (loss) before tax	(295,358)	3,849	25,278	441,240
Profit/ (loss) after tax	(295,358)	3,849	25,611	378,310
Other comprehensive income	-	-	4,136	(308,638)
Total comprehensive income	(295,358)	3,849	29,747	69,672
Statement of financial position as at 31 December				
Total assets	596,052	22,219	2,593,473	63,629,159
Total liabilities	888,466	85,947	1,608,461	57,543,838
Net assets	(292,414)	(63,728)	985,012	6,085,321
Dividends paid	-	-	-	-
Statement of cash flows for the year				
Operating cash flows	201,500	10,920	181,274	1,530,967
Investing cash flows	(129,486)	24,381	(110,301)	(47,402)
Financing cash flows	7,895	(26,484)	(55,429)	-
Net increase/ (decrease) in cash and cash equivalents	79,909	8,817	15,544	1,483,565

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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

32 Investment in associate companies

Accounting policy

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 - "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				Group			
		2023		2022		2023		2022	
		Cost LKR '000	Directors' valuation LKR '000	Cost LKR '000	Directors' valuation LKR '000	Cost LKR '000	Directors' valuation LKR '000	Cost LKR '000	Directors' valuation LKR '000
Ceybank Asset Management Limited (1,240,002 ordinary shares)		31,048	31,048	31,048	31,048	335,162	335,162	312,274	312,274
Lanka Securities (Private) Limited (3,594,857 Ordinary shares)		41,940	41,940	41,940	41,940	247,544	247,544	209,603	209,603
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	154,409	154,409	162,659	162,659
Total investment in unquoted associates		117,988	92,988	117,988	92,988	737,115	737,115	684,536	684,536
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	737,115	737,115	684,536	684,536

32.2 Movement in investment in associate companies

	Bank		Group	
	Cost		Equity Value	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balance as at 1 January	117,988	117,988	684,536	595,531
Share of profit/ (loss), net of tax	-	-	33,507	122,847
Share of other comprehensive income, net of tax	-	-	(2,109)	(20,342)
Share of dividends	-	-	(29,286)	(13,500)
Other adjustments	-	-	50,467	-
Balance as at 31 December	117,988	117,988	737,115	684,536

32.3 Movement in provision for impairment of investment in associate companies

	Bank	
	2023 LKR '000	2022 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

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32.4 Share holding structure of associate companies

	Equity interest %		Shareholding structure	
Name of the company	2023	2022	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 (Pte) 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

	2023		
	CAML LKR '000	LSL LKR '000	TLRS LKR '000
Statement of profit or loss for the year			
Total income	262,685	420,026	314,983
Profit / (loss) before tax	118,550	97,659	12,438
Profit / (loss) after tax	83,334	60,085	(308)
Other comprehensive income	(4,865)	-	-
Total comprehensive income	78,469	60,085	(308)
Statement of financial position as at 31 December			
Total assets	890,357	862,433	1,336,915
Current liabilities	93,184	305,487	162,774
Total liabilities	117,383	306,278	711,523
Net assets	772,974	556,155	625,392
Dividend paid during the year	18,674	44,903	-
Dividend received to the Bank (net) during the year	8,097	19,986	-

	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	-

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.

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	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Cost				
Balance as at 1 January	3,003,007	3,003,007	148,409	148,409
Additions during the year	-	-	-	-
Disposal	-	-	(162)	-
Adjustments/ transfers	-	-	-	-
Balance as at 31 December	3,003,007	3,003,007	148,247	148,409
Less : Accumulated depreciation				
Balance as at 1 January	588,367	588,367	43,611	40,705
Charge for the year	-	-	9,190	2,906
Balance as at 31 December	588,367	588,367	52,801	43,611
Net investment properties	2,414,640	2,414,640	95,446	104,798

Rental income generated from investment properties for the year 2023 is LKR 32.4 million. (2022 - LKR 24.0 million)

Building value of LKR 588.4 million in Bank's investment property is 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				2023				2022	
				Cost			Fair value	Cost	Fair value
	Number of Buildings	Land extent (Perches)	Building (Squre feet)	Land LKR '000	Building LKR '000	Total LKR '000	total LKR '000	total LKR '000	total LKR '000
York street building, No.02, York Street, Colombo 01	1	181.85	261,610	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				2023				2022	
				Cost			Fair value	Cost	Fair value
	Number of buildings	Land extent (Perches)	Building (square feet)	Land LKR '000	Building LKR '000	Total LKR '000	total LKR '000	total LKR '000	total LKR '000
No. 64 and 66, Nonagama Road, Pallegama, Embilipitiya.	-	16.61	-	1,751	-	1,751	-	1,751	-
No. 385/1, Kotte Road, Pittakotte.	1	19.01	2,896	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	-	1,249	-
No. 102 and 104, Dam Street, Colombo 12.	1	50.70	20,368	17,970	11,989	29,959	188,000	29,959	188,000
Kumbuththukuliya watte, Bangadeniya Road, Puttalam.	-	320.00	-	600	-	600	-	600	-
Mirissawelawatta hena; Thekkawatta, Dambadeniya.	-	188 .00	-	-	-	-	-	162	-
Fingara Town and Country Club, No. 50/21, Old Kesbawa Road, Boralesgamuwa.	1	364.35	54,826	65,604	44,396	110,000	320,000	110,000	320,000
Total				90,132	58,115	148,247	561,000	148,409	561,000

Note :

The fair value of the investment properties as at 31 December 2023 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 2023 and concluded that there was no impairment.

34 Property, plant and equipment

Accounting policy

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.

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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. 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 17) 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 17) 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.

NOTES TO THE FINANCIAL STATEMENTS

34.1 Bank

	Freehold land	Freehold building	Buildings on leasehold land	Equipment [Note 34.12.1]	Motor vehicles	Leasehold motor vehicles	Capital work in progress	2023 Total	2022 Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cost or valuation									
As at 1 January	20,264,953	4,816,358	4,040,757	20,615,419	1,666,180	37,548	996,120	52,437,335	48,791,997
Additions during the year									
Acquisitions	-	59,980	23,563	1,872,334	-	-	1,221,853	3,177,730	2,243,640
Capitalisations	-	984,553	175,591	-	-	-	(1,160,144)	-	-
Changes in revaluation surplus/ (deficit)	5,556,239	982,746	-	-	-	-	-	6,538,985	1,703,545
Transfer of accumulated depreciation on revalued assets	-	(431,721)	-	-	-	-	-	(431,721)	(381,858)
Disposals during the year	-	-	(10,100)	(147,682)	-	-	-	(157,782)	(198,149)
Exchange rate adjustments	-	-	-	(66,912)	(3,245)	-	-	(70,157)	265,622
Transfers / adjustments	-	-	(73,441)	-	-	-	(65,966)	(139,407)	12,538
As at 31 December	25,821,192	6,411,916	4,156,370	22,273,159	1,662,935	37,548	991,863	61,354,983	52,437,335
Accumulated depreciation									
As at 1 January	-	286,454	157,923	15,484,894	1,625,512	37,548	-	17,592,331	16,034,513
Charge for the year	-	158,549	128,816	1,531,909	27,152	-	-	1,846,426	1,894,960
Transfer of accumulated depreciation on revalued assets	-	(431,721)	-	-	-	-	-	(431,721)	(381,858)
Disposals during the year	-	-	(1,683)	(87,858)	-	-	-	(89,541)	(188,711)
Exchange rate adjustments	-	-	-	(62,008)	(2,942)	-	-	(64,950)	233,369
Transfers / adjustments	-	-	(62,201)	141	-	-	-	(62,060)	58
As at 31 December	-	13,282	222,855	16,867,078	1,649,722	37,548	-	18,790,485	17,592,331
Net book value as at 31 December 2023	25,821,192	6,398,634	3,933,515	5,406,081	13,213	-	991,863	42,564,498	
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

34.2 Group

	Freehold land	Freehold building	Buildings on leasehold land	Equipment [Note 34.12.2]	Motor vehicles	Leasehold motor vehicles	Capital work in progress	2023 Total	2022 Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cost or valuation									
As at 1 January	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
Additions during the year									
Acquisitions	-	59,980	23,563	1,970,813	-	-	1,523,754	3,578,110	3,167,824
Capitalisations	-	984,549	175,591	-	-	-	(1,160,140)	-	-
Changes in revaluation surplus/ (deficit)	5,556,239	1,849,423	887,725	-	-	-	-	8,293,387	3,001,630
Transfer of accumulated depreciation on revalued assets	-	(497,424)	(547,022)	-	-	-	-	(1,044,446)	(957,878)
Disposals during the year	-	-	(10,100)	(165,677)	-	-	(358,263)	(534,040)	(205,411)
Exchange rate adjustments	(52,806)	(37,102)	-	(119,790)	(3,245)	-	-	(212,943)	964,904
Transfers / adjustments	(149,112)	(344,089)	(29,501)	35,612	(393)	640	660,458	173,615	15,959
As at 31 December	29,130,762	10,803,389	14,692,860	23,956,161	1,855,440	61,564	1,722,874	82,223,050	71,969,367
Accumulated depreciation									
As at 1 January	-	1,438,530	898,057	16,802,220	1,777,707	60,530	-	20,977,044	19,038,148
Charge for the year	-	178,164	675,838	1,639,512	39,629	-	159,529	2,692,672	2,717,917
Transfer of accumulated depreciation on revalued assets	-	(497,424)	(547,022)	-	-	-	-	(1,044,446)	(957,878)
Disposals during the year	-	-	(1,683)	(104,235)	-	-	(339,592)	(445,510)	(188,711)
Exchange rate adjustments	-	-	-	(62,009)	(2,943)	-	-	(64,952)	361,269
Transfers / adjustments	-	66,503	(62,200)	43,669	19,778	(4,585)	478,179	541,344	6,299
As at 31 December	-	1,185,773	962,990	18,319,157	1,834,171	55,945	298,116	22,656,152	20,977,044
Net book value as at 31 December 2023	29,130,762	9,617,616	13,729,870	5,637,004	21,269	5,619	1,424,758	59,566,898	
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

NOTES TO THE FINANCIAL STATEMENTS

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 ;

	Bank		Group	
As at 31 December	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Motor vehicles	1,563,711	1,563,711	1,585,113	1,751,625
Computer equipments	7,177,586	6,334,878	7,190,481	7,048,750
Equipment, furniture, and fittings	2,573,922	2,374,110	2,599,473	2,980,141
Buildings on leasehold lands	600,256	626,069	600,256	626,069
Plant and machinery	2,028,506	1,817,005	2,029,934	2,405,900
Total	13,943,981	12,715,773	14,005,257	14,812,485

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	2023			2022		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Land	2,172,855	-	2,172,855	2,172,855	-	2,172,855
Building	3,917,433	(1,120,934)	2,796,499	2,872,904	(962,385)	1,910,519
Total	6,090,288	(1,120,934)	4,969,354	5,045,759	(962,385)	4,083,374

34.9.2 Group

As at 31 December	2023			2022		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Land	2,103,203	-	2,103,203	2,305,121	-	2,305,121
Building	4,785,710	(2,056,531)	2,729,179	4,122,372	(1,819,102)	2,303,270
Total	6,888,913	(2,056,531)	4,832,382	6,427,493	(1,819,102)	4,608,391

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			2023		
Details of properties	Valuer	Basis of valuation	Carrying value	Revalued amount of Building	Surplus/ (Loss) of Building
			LKR '000	LKR '000	LKR '000
Property Development Limited Bank of Ceylon Head Office Building "BOC Square", Colombo 01 (Revalued as at 31 December 2023)	P P T Mohideen	Discounted Cash Flow method	8,292,075	9,014,000	721,925
BOC Property Development and Management (Private) Limited Bank of Ceylon - Ceybank house No. 86, Sri Dalada Veediya, Kandy (Revalued as at 31 December 2023)	P P T Mohideen	Discounted Cash Flow method	620,800	786,600	165,800

NOTES TO THE FINANCIAL STATEMENTS

Freehold Buildings			2023		
Details of properties	Valuer	Basis of valuation	Carrying value	Revalued amount of Building	Surplus/ (Loss) of Building
			LKR '000	LKR '000	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 2023)	P P T Mohideen	Discounted cash flow method	2,162,827	3,029,500	866,673

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

				2023	
Type of asset	Fair value as at 31.12.2023 LKR'000	Valuation technique	Significant unobservable inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
Freehold land	25,821,192	Contractor's method	Estimated cost per perch	LKR 80,000 - LKR 50,000,000	Positively correlated sensitivity
Freehold buildings	6,398,634	Contractor's method	Estimated cost per square feet	LKR 960 - LKR 63,000	Positively correlated sensitivity
Buildings on leasehold lands	3,933,515	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

				2023	
Type of asset	Fair value as at 31.12.2023 LKR'000	Valuation technique	Significant unobservable inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
Freehold land	29,130,762	Market comparable method	Estimated cost per perch	LKR 50,000 - LKR 20,000,000	Positively correlated sensitivity
Freehold buildings	9,783,416	Discounted cash flow method	Estimated cost per square feet	LKR 600 - LKR 59,000	Positively correlated sensitivity
Buildings on leasehold lands	13,564,070	Discounted cash flow method	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

34.12 Equipment

34.12.1 Bank

	Computer Equipment	Furniture and Fittings	Office Equipment	2023 Total	2022 Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cost					
Balance as at 1 January	10,963,643	6,185,307	3,466,469	20,615,419	18,971,479
Additions during the year					
Acquisitions	896,056	605,753	370,525	1,872,334	1,551,530
Capitalisations	-	-	-	-	-
Disposals during the year	(94,899)	(29,528)	(23,255)	(147,682)	(157,555)
Exchange rate adjustments	(55,844)	(3,675)	(7,393)	(66,912)	249,965
Transfers / adjustments	-	-	-	-	-
Balance as at 31 December	11,708,956	6,757,857	3,806,346	22,273,159	20,615,419
Accumulated depreciation					
Balance as at 1 January	8,763,469	4,038,887	2,682,538	15,484,894	13,842,468
Charge for the year	841,579	486,958	203,372	1,531,909	1,577,646
Disposals during the year	(37,954)	(26,821)	(23,083)	(87,858)	(155,670)
Exchange rate adjustments	(51,512)	(6,041)	(4,455)	(62,008)	220,450
Transfers / adjustments	-	141	-	141	-
Balance as at 31 December	9,515,582	4,493,124	2,858,372	16,867,078	15,484,894
Net book value as at 31 December 2023	2,193,374	2,264,733	947,974	5,406,081	
Net book value as at 31 December 2022	2,200,174	2,146,420	783,931		5,130,525

34.12.2 Group

	Computer Equipment	Furniture and Fittings	Office Equipment	2023 Total	2022 Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cost					
Balance as at 1 January	11,621,195	7,089,282	3,524,726	22,235,203	20,454,368
Additions during the year					
Acquisitions	929,484	667,157	374,172	1,970,813	1,595,550
Capitalisation	-	-	-	-	-
Disposals during the year	(98,354)	(43,782)	(23,541)	(165,677)	(158,049)
Exchange rate adjustments	(103,766)	(8,627)	(7,397)	(119,790)	343,103
Transfers / Adjustments	178,660	(134,348)	(8,700)	35,612	231
Balance as at 31 December	12,527,219	7,569,682	3,859,260	23,956,161	22,235,203
Accumulated depreciation					
Balance as at 1 January	9,327,344	4,724,108	2,750,768	16,802,220	15,013,011
Charge for the year	873,596	533,155	232,761	1,639,512	1,659,018
Disposals during the year	(41,375)	(39,707)	(23,153)	(104,235)	(155,670)
Exchange rate adjustments	(51,512)	(6,043)	(4,454)	(62,009)	285,861
Transfers / Adjustments	187,118	(143,468)	19	43,669	-
Balance as at 31 December	10,295,171	5,068,045	2,955,941	18,319,157	16,802,220
Net book value as at 31 December 2023	2,232,048	2,501,637	903,319	5,637,004	
Net book value as at 31 December 2022	2,293,851	2,365,174	773,958		5,432,983

NOTES TO THE FINANCIAL STATEMENTS

34.13 The details of Freehold land and building held by the bank as at 31 December 2023 are as follows:

Name of Premises	Number of Buildings	Land Extent (Perches)	Building (Square feet)	Date of valuation	Valuer	Basis of Valuation
Central Province						
Galaha Branch, 59/37, Deltota Road, Galaha	1	15.00	8,410	30.11.2023	R H Jayawardana	Contractor's Method
Gampola Branch, 44, Kadugannawa Road, Gampola	1	175.00	11,404	30.11.2023	R A R M N Rajakaruna	Contractor's Method
Galewela Branch, 158, Dhambulla Road, Galewela	1	47.00	6,958	30.11.2023	R A R M N Rajakaruna	Contractor's Method
Hatton Branch and staff Quarters, 46, Circular Road, Hatton	2	139.57	11,041	30.11.2023	R H Jayawardana	Contractor's Method
Kandy 2nd City Branch, Ceybank House ,88, Dalada Veediya, Kandy	1	42.81	33,589	30.11.2023	R A R M N Rajakaruna	Contractor's Method
Kandapola Branch, 31,33, Main Street , Kandapola	1	14.10	5,248	30.11.2023	R H Jayawardana	Contractor's Method
Maskeliya Branch, 66, Upcot Road, Maskeliya	1	42.05	6,607	30.11.2023	R H Jayawardana	Contractor's Method
Nawalapitiya Branch, 6, Gampola Road, Nawalapitiya	1	21.92	9,790	30.11.2023	R A R M N Rajakaruna	Contractor's Method
Nuwara Eliya Branch, 43, Lawson Street, Nuwara Eliya	1	133.50	9,859	30.11.2023	R H Jayawardana	Contractor's Method
Nuwara Eliya Staff Quarters, 14,19, Hill Street, Nuwara Eliya	1	41.40	4,847	30.11.2023	R H Jayawardana	Contractor's Method
Nuwara Eliya Property Ladies staff Quarters, 12, Hill Street, Nuwara Eliya	1	14.99	1,303	30.11.2023	R H Jayawardana	Contractor's Method
Rikillagaskada Branch, 3, Dimbulkubura Road, Rikillagaskada	1	19.60	6,487	30.11.2023	R A R M N Rajakaruna	Cost Method
Thalawakele Branch, 23,25,29, Hatton Road, Talawakelle	1	25.30	7,332	30.11.2023	R H Jayawardana	Contractor's Method
Thalawakele Staff Quarters, Talawakele Estate, Thalawakale	1	160.00	4,898	30.11.2023	R H Jayawardana	Contractor's Method
Eastern Province						
Batticaloa Branch, 19, Govington Road, Batticaloa	1	64.85	9,585	30.11.2023	P Santhirasegaram	Contractor's Method
Mutur Branch (New), 36/1 Trincomalee Road ,Ward No 07, Mutur	1	71.00	9,532	30.11.2023	P P T Mohideen	Contractor's Method
Potuvil Branch, Main Street, Pottuvil	1	10.70	4,500	30.11.2023	P Santhirasegaram	Contractor's Method
Trincomalee Branch, 24, Inner Harbour Road, Trincomalee	1	90.00	10,810	30.11.2023	P P T Mohideen	Contractor's Method
Trincomalee City Branch, 09, Main Street, Trincomalee	1	21.90	9,620	30.11.2023	P P T Mohideen	Contractor's Method
Valachchenai Branch, Main Street, Valachchenai	1	47.34	6,621	30.11.2023	P Santhirasegaram	Contractor's Method
Northern Province						
Jaffna Area Office & Branch, 476,476A,Hospital Road, Jaffna	2	166.25	23,641	30.11.2023	P P T Mohideen	Contractor's Method
Jaffna 2nd Branch, 56, Stanley Road, Jaffna	1	33.89	17,361	30.11.2023	P P T Mohideen	Contractor's Method
Karainagar Branch, Post Office View, Karainagar	1	20.09	3,170	30.11.2023	P P T Mohideen	Contractor's Method
Mannar Branch (Land), Moor Street, Mannar	-	63.22	-	30.11.2023	P P T Mohideen	Contractor's Method
Nelliadi Branch, 23, Kodikamam Road, Nelliady	1	42.74	10,889	30.11.2023	P P T Mohideen	Contractor's Method
North Western Province						
Alawwa Branch, 64, Giriulla Road, Alawwa	1	30.80	7,011	30.11.2023	R W M S B Rajapaksha	Contractor's Method
Bingiriya Land, 44 ,Chilaw Road, Bingiriya	-	40.00	-	30.11.2023	R W M S B Rajapaksha	Comparison's Method
Chilaw Branch, Radaguru Edmund Peiris Mawatha, Chilaw	1	38.25	8,935	30.11.2023	R W M S B Rajapaksha	Contractor's Method
Dankotuwa Branch (Land), 01/60, Negombo Road, Dankotuwa	-	32.90	-	30.11.2023	R W M S B Rajapaksha	Comparison's Method

Carrying value of Land	Revalued Amount of Land	Revaluation Surplus/ (Loss) of Land	Carrying value of Buildings	Revalued Amount / Carrying value of Buildings	Revaluation Surplus/(Loss) of Buildings	Total Revaluation Surplus/ (Loss)	Total Revalued Amount / Carrying Value
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
22,500	25,500	3,000	26,853	46,500	19,647	22,647	72,000
245,000	279,000	34,000	23,915	73,250	49,335	83,335	352,250
117,500	145,000	27,500	55,743	65,000	9,257	36,757	210,000
279,140	348,925	69,785	41,171	78,529	37,358	107,143	427,454
642,150	1,285,000	642,850	118,505	118,505	-	642,850	1,403,505
35,000	35,250	250	17,300	33,161	15,861	16,111	68,411
42,000	50,460	8,460	20,414	37,470	17,056	25,516	87,930
54,800	53,000	(1,800)	32,601	27,000	(5,601)	(7,401)	80,000
867,750	934,500	66,750	35,964	68,816	32,852	99,602	1,003,316
103,500	111,780	8,280	13,918	32,200	18,282	26,562	143,980
11,242	14,990	3,748	3,796	9,960	6,164	9,912	24,950
30,199	49,000	18,801	14,184	32,000	17,816	36,617	81,000
39,650	45,730	6,080	20,587	43,666	23,079	29,159	89,396
11,200	12,800	1,600	12,898	27,492	14,594	16,194	40,292
2,501,631	**3,390,935**	**889,304**	**437,849**	**693,549**	**255,700**	**1,145,004**	**4,084,484**
64,850	130,000	65,150	20,125	30,000	9,875	75,025	160,000
24,850	31,172	6,322	41,991	56,745	14,754	21,076	87,917
24,075	32,100	8,025	16,931	15,900	(1,031)	6,994	48,000
99,000	103,500	4,500	21,853	27,858	6,005	10,505	131,358
38,325	47,540	9,215	86,029	76,960	(9,069)	146	124,500
37,872	88,900	51,028	16,925	11,975	(4,950)	46,078	100,875
288,972	**433,212**	**144,240**	**203,854**	**219,438**	**15,584**	**159,824**	**652,650**
540,000	540,310	310	29,871	37,490	7,619	7,929	577,800
186,000	177,900	(8,100)	72,453	65,100	(7,353)	(15,453)	243,000
5,000	7,858	2,858	9,670	9,842	172	3,030	17,700
35,000	41,100	6,100	-	-	-	6,100	41,100
60,000	34,200	(25,800)	50,875	66,550	15,675	(10,125)	100,750
826,000	**801,368**	**(24,632)**	**162,869**	**178,982**	**16,113**	**(8,519)**	**980,350**
54,000	69,000	15,000	20,350	31,000	10,650	25,650	100,000
30,000	40,000	10,000	-	-	-	10,000	40,000
76,500	86,000	9,500	26,363	38,000	11,637	21,137	124,000
65,800	65,800	-	-	-	-	-	65,800

NOTES TO THE FINANCIAL STATEMENTS

Name of Premises	Number of Buildings	Land Extent (Perches)	Building (Square feet)	Date of valuation	Valuer	Basis of Valuation
Dummalasooriya Branch, 227, Kuliyapitiya - Madampe Road, Dummalasuriya	1	41.68	6,139	30.11.2023	R W M S B Rajapaksha	Contractor's Method
Kurunegala Province Office, AGM's Quarters & CM Quarters, 18, Mihindu Mawatha, Kurunegala	3	225.00	20,575	30.11.2023	S R Yoganathan	Comparison's Method
Kurunegala Super Grade Branch, Commercial Complex, Kurunegala	1	-	12,242	30.11.2023	S R Yoganathan	Comparison's Method
Kurunegala 2nd City Branch, 35, Colombo Road, Kurunegala	1	49.40	29,294	30.11.2023	S R Yoganathan	Comparison's Method
Madampe Branch, 10, Station Road, Madampe	1	61.10	7,680	30.11.2023	S Hapugoda	Contractor's Method
Madurankuliya Branch, 66 , Colombo Road, Madurankuliya	1	46.00	5,760	30.11.2023	S Hapugoda	Contractor's Method
Malsiripura Branch, 362, 358, Dambulla Road, Malsiripura	1	46.20	7,780	30.11.2023	S R Yoganathan	Comparison's Method
Marawila Branch (Land), 85, Negombo Road, Marawila	-	35.00	-	30.11.2023	S Hapugoda	Contractor's Method
Narammala Branch, 139, Negombo Road, Narammala	1	117.50	7,959	30.11.2023	S R Yoganathan	Contractor's Method
Nattandiya Branch (Land), 115, Marawila Road, Nattandiya	-	40.00	-	30.11.2023	S Hapugoda	Contractor's Method
Waikkal Branch (Land), 43/44, Thopputota, Waikkal	-	36.00	-	30.11.2023	S Hapugoda	Contractor's Method
Wariyapola Branch (Land), 32,Kurunegala Road , Wariyapola	-	40.80	-	30.11.2023	S R Yoganathan	Comparison's Method
Sabaragamuwa Province						
Balangoda Branch, 137, 139 Main Street, Balangoda	1	14.50	3,520	30.11.2023	A G Gunaratna	On Market Approach
Dehiowita Branch, 62 Main Street, Dehiowita	1	38.60	4,511	30.11.2023	A G Gunaratna	Cost Approach
Kegalle Branch, 110, Colombo Road, Kegalle	1	131.38	17,250	30.11.2023	W A T I P Jayathilake	Contractor's Method
Ratnapura Branch, 6, Dharmapala Mawatha, Ratnapura	1	99.70	11,082	30.11.2023	W A T I P Jayathilake	Contractor's Method
Rathnapura Branch (Land), 25,Shaviya Mawatha, Rathanapura	-	31.69	-	30.11.2023	W A T I P Jayathilake	Contractor's Method
Southern Province						
Ambalangoda Branch, 345,Galle Raod, Ambalangoda	1	58.00	6,330	30.11.2023	U Rajapaksha	Contractor's Method
Ambalantota Branch, 11, Wanduruppa Road, Ambalantota	1	38.00	5,410	30.11.2023	U Rajapaksha	Contractor's Method
Ahangama Branch, 54,Galle Road , Ahangama	1	33.35	5,035	30.11.2023	U Rajapaksha	Contractor's Method
Batapola Branch, Aluthwatte , Batapola	1	46.80	3,024	30.11.2023	U Rajapaksha	Contractor's Method
Beliatta Branch, 67, Walasmulla Road, Beliatta	1	53.02	6,200	30.11.2023	U Rajapaksha	Contractor's Method
Deniyaya Land, Viharahena Road, Deniyaya	-	55.80	-	30.11.2023	U Rajapaksha	Comparison Method
Galle Province Office, 20, Hospital Street ,Fort, Galle	1	32.63	14,250	30.11.2023	U Rajapaksha	Contractor's Method
Galle Branch, 2, Light House Street , Fort ,Galle	1	31.50	16,200	30.11.2023	U Rajapaksha	Contractor's Method
Galle City Land, 7,Sri Dewamitta Mawatha,Galle	-	27.14	-	30.11.2023	D P L C De Silva	Contractor's Method
Hakmana Branch, Beliatta Road, Hakmana	1	36.70	3,400	30.11.2023	U Rajapaksha	Contractor's Method
Imaduwa Branch, Ahangama Road, Imaduwa	1	83.50	3,395	30.11.2023	U Rajapaksha	Contractor's Method
Karapitiya Land, 167A, Hirimbura Cross Road, Karapitiya	-	35.00	-	28.12.2023	D P L C De Silva	Comparison Method
Matara Super Grade Branch & Southern Province Office, 11, Kumaratunga Mawatha, Matara	1	104.40	52,969	30.11.2023	U Rajapaksha	Contractor's Method
Matara Bazzar Branch, 58,New Tanglle Road, Matara	1	49.25	6,920	30.11.2023	U Rajapaksha	Contractor's Method
Nagoda Branch, Mapalagama Road, Nagoda	1	40.00	3,132	30.11.2023	W A T I P Jayathilake	Contractor's Method

Carrying value of Land	Revalued Amount of Land	Revaluation Surplus/ (Loss) of Land	Carrying value of Buildings	Revalued Amount / Carrying value of Buildings	Revaluation Surplus/(Loss) of Buildings	Total Revaluation Surplus/ (Loss)	Total Revalued Amount / Carrying Value
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
41,500	62,500	21,000	21,738	31,000	9,262	30,262	93,500
1,012,500	630,000	(382,500)	88,397	108,000	19,603	(362,897)	738,000
-	-	-	207,755	278,000	70,245	70,245	278,000
468,000	530,000	62,000	379,523	347,000	(32,523)	29,477	877,000
61,000	60,550	(450)	26,212	43,000	16,788	16,338	103,550
62,100	80,000	17,900	30,248	59,000	28,752	46,652	139,000
69,000	97,000	28,000	43,890	90,000	46,110	74,110	187,000
61,250	52,500	(8,750)	-	-	-	(8,750)	52,500
92,750	164,000	71,250	35,844	73,000	37,156	108,406	237,000
60,000	60,000	-	-	-	-	-	60,000
60,000	50,000	(10,000)	-	-	-	(10,000)	50,000
100,000	112,000	12,000	-	-	-	12,000	112,000
2,314,400	**2,159,350**	**(155,050)**	**880,320**	**1,098,000**	**217,680**	**62,630**	**3,257,350**
36,200	80,000	43,800	2,170	-	(2,170)	41,630	80,000
20,090	24,050	3,960	1,356	7,358	6,002	9,962	31,408
350,000	428,500	78,500	49,647	106,500	56,853	135,353	535,000
110,000	149,600	39,600	32,083	49,900	17,817	57,417	199,500
118,000	166,400	48,400	-	-	-	48,400	166,400
634,290	**848,550**	**214,260**	**85,256**	**163,758**	**78,502**	**292,762**	**1,012,308**
116,000	156,600	40,600	36,584	53,400	16,816	57,416	210,000
47,500	76,000	28,500	16,807	32,110	15,303	43,803	108,110
40,000	58,400	18,400	73,632	50,350	(23,282)	(4,882)	108,750
70,200	82,600	12,400	12,230	22,500	10,270	22,670	105,100
101,436	121,000	19,564	36,134	59,900	23,766	43,330	180,900
57,224	80,000	22,776	-	-	-	22,776	80,000
261,000	489,400	228,400	21,803	36,600	14,797	243,197	526,000
252,000	533,460	281,460	24,939	47,090	22,151	303,611	580,550
141,200	1,357,000	1,215,800	-	-	-	1,215,800	1,357,000
49,500	55,100	5,600	10,638	15,900	5,262	10,862	71,000
62,600	75,150	12,550	9,006	17,350	8,344	20,894	92,500
77,000	157,500	80,500	-	-	-	80,500	157,500
395,400	447,600	52,200	367,248	460,900	93,652	145,852	908,500
153,750	191,150	37,400	40,449	60,335	19,886	57,286	251,485
20,000	28,000	8,000	9,897	26,800	16,903	24,903	54,800

NOTES TO THE FINANCIAL STATEMENTS

Name of Premises	Number of Buildings	Land Extent (Perches)	Building (Square feet)	Date of valuation	Valuer	Basis of Valuation
Ranna Land, Main street , Ranna	-	40.00	-	30.11.2023	U Rajapaksha	Comparison Method
Tangalle Branch, 91/1, 91/2 , Tissa Road , Tangalle	1	21.05	5,370	30.11.2023	U Rajapaksha	Contractor's Method
Weeraketiya Branch, Belliatta Road, Weeraketiya	1	36.87	4,480	30.11.2023	U Rajapaksha	Contractor's Method
Weligama Branch, 239, Main Street, Weligama	1	97.75	8,394	30.11.2023	U Rajapaksha	Contractor's Method
Walasmulla Branch, 28, Beliatta Road , Walasmulla	1	38.00	8,045	30.11.2023	U Rajapaksha	Contractor's Method
Uva Province						
AGMs Quarters UVA Province Office, 1/90 Bandarawela Road, Badulla	1	220.00	3,836	30.11.2023	L H Lickson	Investment & Contractor's Method
Badulla Uva Pro. Office, 17, Hill Drive, Keppetipola Road, Badulla	2	118.75	9,537	30.11.2023	L H Lickson	Investment & Contractor's Method
Bandarawela Branch, 198B, Badulla Road, Bandarawela	1	10.60	7,731	30.11.2023	L H Lickson	Investment & Contractor's Method
Ettampitiya Branch, 23, Nuwara Eliya Road, Ettampitiya	1	20.35	3,729	30.11.2023	L H Lickson	Investment & Contractor's Method
Haputale Branch (Browns), 20, Station Road, Haputale	1	158.70	7,361	30.11.2023	L H Lickson	Contractor's Method
Monaragala Branch, Manager Quarters & staff Quarters, 401, Wellawaya Road, Moneragala	3	320.00	13,011	30.11.2023	L H Lickson	Investment & Contractor's Method
Siyabalanduwa Branch, Premadasa Hardware Building, Ampara Junction ,Siyabalanduwa	1	28.00	5,886	30.11.2023	L H Lickson	Investment & Contractor's Method
Western Province Central						
Bambalapitiya Branch, 20, Galle Road, Colombo 04	1	-	7,776	30.11.2023	W A T I P Jayathilake	Investment method
Borella Branch, 71, Denister De Silva Mawatha, Borella	1	49.27	20,173	30.11.2023	K T D Thissera	Investment and Contractor's method
City Office, 41, Bristtol Lane, Colombo 01	1	39.50	31,443	30.11.2023	W D P Rupananda	Investment and Contractor's method
Dematagoda Land, 400, Denister De Silva Mawatha, Colombo 09	-	38.14	-	30.11.2023	W D P Rupananda	Comparison Method
Grandpass Branch, 703, Srimavo Bandaranayake Mawatha, Grandpass	1	20.12	6,210	30.11.2023	A G Gunarathne	Investment and Contractor's method
Wellawatta Branch, 149/2, Galle Road, Colombo 06	1	51.25	15,832	30.11.2023	A G Gunarathne	Cost Approach
Western Province North						
Gampaha Branch, 170,Colombo Road, Gampaha	1	34.06	7,297	30.11.2023	K T D Thissera	Comparison Method
Ganemulla Branch (Land), 156, Kirindiwita Road, Ganemulla	-	43.61	-	30.11.2023	K T D Thissera	Comparison Method
Ja Ela Branch, 19, Negombo Road, Ja-ela	1	45.94	8,618	30.11.2023	W A T I P Jayathilake	Investment & Contractor's Method
Kadawatha Branch, 469, Ragama Road, Kadawatha	1	30.72	6,138	30.11.2023	W A T I P Jayathilake	Investment & Contractor's Method
Kiribathgoda Branch (Land), 235, Kandy Road, Kiribathgoda	-	43.70	-	30.11.2023	K T D Thissera	Comparison Method

Carrying value of Land	Revalued Amount of Land	Revaluation Surplus/ (Loss) of Land	Carrying value of Buildings	Revalued Amount / Carrying value of Buildings	Revaluation Surplus/(Loss) of Buildings	Total Revaluation Surplus/ (Loss)	Total Revalued Amount / Carrying Value
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
28,199	36,000	7,801	-	-	-	7,801	36,000
31,575	42,300	10,725	29,600	44,200	14,600	25,325	86,500
48,000	66,400	18,400	24,698	36,100	11,402	29,802	102,500
97,750	203,500	105,750	20,049	40,075	20,026	125,776	243,575
57,000	76,000	19,000	55,931	75,600	19,669	38,669	151,600
2,107,334	**4,333,160**	**2,225,826**	**789,645**	**1,079,210**	**289,565**	**2,515,391**	**5,412,370**
92,773	98,550	5,777	5,024	6,273	1,249	7,026	104,823
59,316	61,453	2,137	11,565	22,843	11,278	13,415	84,296
82,824	95,200	12,376	19,580	35,397	15,817	28,193	130,597
11,123	12,140	1,017	9,831	13,767	3,936	4,953	25,907
39,192	46,740	7,548	9,042	13,250	4,208	11,756	59,990
84,800	110,000	25,200	38,672	52,191	13,519	38,719	162,191
35,000	21,400	(13,600)	13,778	25,600	11,822	(1,778)	47,000
405,028	**445,483**	**40,455**	**107,492**	**169,321**	**61,829**	**102,284**	**614,804**
-	-	-	185,980	274,200	88,220	88,220	274,200
513,200	528,200	15,000	84,843	75,000	(9,843)	5,157	603,200
610,000	717,500	107,500	365,108	152,500	(212,608)	(105,108)	870,000
273,000	307,750	34,750	-	-	-	34,750	307,750
181,080	241,440	60,360	21,558	30,884	9,326	69,686	272,324
530,000	545,000	15,000	40,576	54,000	13,424	28,424	599,000
2,107,280	**2,339,890**	**232,610**	**698,065**	**586,584**	**(111,481)**	**121,129**	**2,926,474**
119,200	170,000	50,800	33,780	55,000	21,220	72,020	225,000
78,500	80,000	1,500	-	-	-	1,500	80,000
165,000	212,000	47,000	264,187	48,000	(216,187)	(169,187)	260,000
120,000	124,300	4,300	19,606	27,700	8,094	12,394	152,000
327,750	315,900	(11,850)	-	-	-	(11,850)	315,900

NOTES TO THE FINANCIAL STATEMENTS

Name of Premises	Number of Buildings	Land Extent (Perches)	Building (Square feet)	Date of valuation	Valuer	Basis of Valuation
Negombo Branch, 118, Rajapakse Broadway, Negombo	1	93.60	15,561	30.11.2023	W A T I P Jayathilake	Investment and Contractor's Method
Negombo City Branch, 77, Main Street, Negombo	1	10.76	8,355	30.11.2023	W A T I P Jayathilake	Contractor's Method
Pettah Branch, 212/63, Gas Work Street, Colombo 11	1	28.29	25,222	30.11.2023	W D P Rupananda	Investment and Contractor's Method
Western Province South						
Aluthgama Branch, 14, Douglas Gunawardana Mawatha Aluthgama	1	36.60	6,558	30.11.2023	B K Dayaratne	Contractor's Method
Beruwala Branch, 165A, Galle Road, Beruwala	1	21.50	5,850	30.11.2023	B K Dayaratne	Contractor's Method
Bulathsinhala Branch, 40, Horana Road, Athura, Bulathsinhala	1	55.52	6,900	30.11.2023	B K Dayaratne	Contractor's Method
Dehiwala Branch, 207, Galle Road, Dehiwela	1	22.00	12,454	30.11.2023	A G Gunaratna	Cost Approach
Horana Branch, 87, Anguruwathota Road, Horana	1	70.02	10,345	30.11.2023	B K Dayaratne	Contractor's Method
Idama Branch, 707, Galle Road, Moratuwa	1	61.12	13,411	30.11.2023	A G Gunaratna	Cost Approach
Kalutara Branch, 218, Galle Road, Kalutara South, Kalutara	1	45.86	10,645	30.11.2023	B K Dayaratne	Contractor's Method
Kottawa Branch (Land), 903, Avissawella Road, Kottawa	-	35.22	-	30.11.2023	K T D Thisera	Comparison Method
Maharagama Branch & Central Training Institute, 88, Highlevel Road, Maharagama	2	185.10	82,121	30.11.2023	A G Gunaratna	Cost and Income Approach
Matugama Branch, 72, Agalawatte Road, Matugama	1	9.50	4,158	30.11.2023	A G Gunaratna	Cost Approach
Nugegoda Branch, 174, Highlevel Road, Nugegoda,	1	67.73	42,253	30.11.2023	A G Gunaratna	Cost and Income Approach
Panadura Branch, 21, Susantha Mawatha, Panadura	1	80.00	11,336	30.11.2023	K T D Thisera	Contractor's Method
Panadura City Branch, 17/3D, Jayathilake Mawatha, Panadura	1	36.00	7,764	30.11.2023	K T D Thisera	Cost Approach
Wadduwa Branch, 58 & 56 Station Road, Wadduwa	1	29.00	6,440	30.11.2023	B K Dayaratne	Contractor's Method
Holiday Homes & Rests						
Badulla Fernham Bungalow & Property (Land), 153, Spring Valley Road, Badulla	-	222.25	-	30.11.2023	L H Lickson	Contractor's Method
Bandarawela Holiday Home, Bindunuwewa, Bandarawela	1	115.00	3,500	30.11.2023	L H Lickson	Investment and Contractor's Method
Dickoya Upper Glencarn Bungalow, Maskeliya Road, Hatton	1	189.65	9,027	30.11.2023	R H Jayawardana	Contractor's Method
Dickoya lower Glencarn Bungalow (Land), Maskeliya Road, Hatton	-	100.00	-	30.11.2023	R H Jayawardana	Contractor's Method
Haputale Woodland Bungalow, Woodland Bungalow, Haputale	1	135.00	4,195	30.11.2023	L H Lickson	Investment and Contractor's Method
Jaffna Bank Rest Holiday Home, 34/3, Rasavinthoddam Road, Jaffna	1	269.83	9,605	30.11.2023	P P T Mohideen	Market Value
Kandy Holiday Home, 5/1B, Wimaladharma Mawatha, Dangolla Road, Kandy	1	39.00	3,953	30.11.2023	R A R M N Rajakaruna	Contractor's Method
Lindula Ridge Holiday Home, Tilliocultry,Talawakale	1	175.00	3,072	30.11.2023	R H Jayawardana	Contractor's Method
Nuwara Eliya Holiday Home, 16, Hill Street, Nuwara Eliya	1	35.27	2,715	30.11.2023	R H Jayawardana	Contractor's Method

Carrying value of Land	Revalued Amount of Land	Revaluation Surplus/ (Loss) of Land	Carrying value of Buildings	Revalued Amount / Carrying value of Buildings	Revaluation Surplus/(Loss) of Buildings	Total Revaluation Surplus/ (Loss)	Total Revalued Amount / Carrying Value
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
327,600	486,200	158,600	30,561	72,800	42,239	200,839	559,000
48,400	58,000	9,600	48,914	27,000	(21,914)	(12,314)	85,000
539,000	638,000	99,000	50,750	82,000	31,250	130,250	720,000
1,725,450	**2,084,400**	**358,950**	**447,798**	**312,500**	**(135,298)**	**223,652**	**2,396,900**
80,520	128,100	47,580	22,443	32,854	10,411	57,991	160,954
64,500	86,000	21,500	11,205	14,550	3,345	24,845	100,550
80,790	134,650	53,860	12,831	15,283	2,452	56,312	149,933
154,000	165,000	11,000	53,257	66,458	13,201	24,201	231,458
260,600	295,000	34,400	29,451	35,000	5,549	39,949	330,000
244,480	275,040	30,560	14,447	43,935	29,488	60,048	318,975
177,440	221,800	44,360	32,269	35,841	3,572	47,932	257,641
281,760	264,000	(17,760)	-	-	-	(17,760)	264,000
658,462	700,000	41,538	186,023	322,000	135,977	177,515	1,022,000
47,500	57,000	9,500	2,434	4,000	1,566	11,066	61,000
677,300	812,760	135,460	411,951	473,240	61,289	196,749	1,286,000
360,000	520,000	160,000	22,916	46,000	23,084	183,084	566,000
63,000	175,000	112,000	65,496	40,000	(25,496)	86,504	215,000
58,000	116,000	58,000	65,848	68,920	3,072	61,072	184,920
3,208,352	**3,950,350**	**741,998**	**930,571**	**1,198,081**	**267,510**	**1,009,508**	**5,148,431**
22,225	44,450	22,225	-	-	-	22,225	44,450
23,000	28,250	5,250	9,519	9,410	(109)	5,141	37,660
12,617	16,426	3,809	47,800	67,033	19,233	23,042	83,459
15,000	20,000	5,000	-	-	-	5,000	20,000
21,000	27,000	6,000	6,221	12,378	6,157	12,157	39,378
121,424	120,000	(1,424)	137,951	70,000	(67,951)	(69,375)	190,000
31,200	97,500	66,300	15,928	15,928	-	66,300	113,428
8,750	17,500	8,750	9,126	18,000	8,874	17,624	35,500
85,750	92,610	6,860	15,704	17,000	1,296	8,156	109,610

NOTES TO THE FINANCIAL STATEMENTS

Name of Premises	Number of Buildings	Land Extent (Perches)	Building (Square feet)	Date of valuation	Valuer	Basis of Valuation
Cey Bank Rest Nuwara Eliya (Phase 1), 19, Hill Street, Nuwara Eliya	1	67.54	3,335	30.11.2023	R H Jayawardana	Contractor's Method
Negambo Holiday Homes, 118, Rajapakshe Broadway, Negambo	1	-	2,643	30.11.2023	W A T I P Jayathilake	Investment and Contractor's Method
Others						
Colombo 7 - GM's Bangalow, 75, Ananda Kumaraswamy Mawatha, Colombo 7	1	79.80	6,380	30.11.2023	A G Gunaratna	Cost Approach
Colombo Darly Rd. Stores Browns Building, 481, T B Jayah Mawatha, Colombo 10.	1	151.00	26,209	30.11.2023	W D P Rupananda	Contractor's Method
Colombo World Trade Centre, 08, 8-2/1, Bank of Ceylon Mawatha, Colombo 01	1	-	6,347	30.11.2023	K T D Tissera	Investment Method
Boc Merchant Tower Colpetty - Walker's & Sons, 28 St. Michael's Road, Cololmbo 03	-	57.00	-	30.11.2023	K T D Tissera	Comparison Method
Grand Total						

Carrying value of Land	Revalued Amount of Land	Revaluation Surplus/ (Loss) of Land	Carrying value of Buildings	Revalued Amount / Carrying value of Buildings	Revaluation Surplus/(Loss) of Buildings	Total Revaluation Surplus/ (Loss)	Total Revalued Amount / Carrying Value
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
168,850	182,358	13,508	17,287	24,980	7,693	21,201	207,338
-	-	-	15,886	16,000	114	114	16,000
509,816	**646,094**	**136,278**	**275,422**	**250,729**	**(24,693)**	**111,585**	**896,823**
1,436,400	1,512,400	76,000	11,200	17,864	6,664	82,664	1,530,264
1,600,000	1,736,000	136,000	32,648	44,000	11,352	147,352	1,780,000
-	-	-	366,181	399,900	33,719	33,719	399,900
600,000	1,140,000	540,000	-	-	-	540,000	1,140,000
3,636,400	**4,388,400**	**752,000**	**410,029**	**461,764**	**51,735**	**803,735**	**4,850,164**
20,264,953	**25,821,192**	**5,556,239**	**5,429,170**	**6,411,916**	**982,746**	**6,538,985**	**32,233,108**

NOTES TO THE FINANCIAL STATEMENTS

35 Right of use assets / leasehold properties

Accounting policy

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:

(i) **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.

(ii) **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.

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	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Right of use assets/ leasehold properties	11,366,987	9,310,524	7,520,322	6,461,627
Less: Accumulated amortisation	7,858,369	6,308,219	4,533,618	3,837,327
Net book value of right of use assets/ leasehold properties	3,508,618	3,002,305	2,986,704	2,624,300

	Bank		Group	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Cost				
Balance as at 1 January	9,310,524	7,710,364	6,461,627	5,605,695
Transfers	73,441	-	79,024	-
Additions during the year	2,937,581	1,413,734	1,470,986	661,506
Adjustments	(954,559)	186,426	(491,315)	194,426
Balance as at 31 December	11,366,987	9,310,524	7,520,322	6,461,627
Accumulated amortisation				
Balance as at 1 January	6,308,219	4,572,409	3,837,327	2,779,976
Transfers	61,977	-	61,977	-
Amortisation during the year	1,522,030	1,759,054	1,002,250	990,918
Adjustments	(33,857)	(23,244)	(367,936)	66,433
Balance as at 31 December	7,858,369	6,308,219	4,533,618	3,837,327
Net book value as at 31 December	3,508,618	3,002,305	2,986,704	2,624,300

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	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	2,407,189	2,962,878	1,828,636	2,233,145
Additions	2,937,581	1,413,734	1,115,139	520,207
Accretion of interest	751,003	358,362	433,816	328,936
Payments	(2,474,244)	(2,462,165)	(1,589,289)	(1,558,956)
Adjustments	(922,708)	134,380	(138,189)	305,304
Balance as at 31 December	2,698,820	2,407,189	1,650,113	1,828,636

NOTES TO THE FINANCIAL STATEMENTS

35.1.1 Maturity analysis of lease liability

	Bank		Group	
As at 31 December	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Less than 1 year	139,269	646,877	168,355	686,801
1 to 5 years	2,177,818	420,980	1,039,808	321,073
More than 5 years	381,733	1,339,332	441,950	820,762
Total lease liability	2,698,820	2,407,189	1,650,113	1,828,636

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%	(79,346)	(65,254)	6,053
	-1%	83,477	67,830	(6,522)
Lease Term	Increased by 1 year	1,037,512	1,154,275	(60,623)

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.

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	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Cost				
Balance as at 1 January	5,526,320	4,499,109	6,298,056	5,147,815
Additions during the year	476,639	1,027,211	478,130	1,027,390
Derecognised during the year	-	-	-	-
Disposals	-	-	-	-
Exchange rate and other adjustments	-	-	123,018	122,851
Balance as at 31 December	6,002,959	5,526,320	6,899,204	6,298,056
Accumulated amortisation				
Balance as at 1 January	4,166,055	3,533,170	4,786,880	4,007,270
Amortisation during the year	484,475	632,885	525,130	795,627
Disposals	-	-	-	-
Exchange rate and other adjustments	-	-	134,918	(16,017)
Balance as at 31 December	4,650,530	4,166,055	5,446,928	4,786,880
Computer software under development	202,446	82,168	202,446	82,168
Net book value as at 31 December	1,554,875	1,442,433	1,654,722	1,593,344

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	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Computer software	3,595,628	3,027,433	3,707,180	3,087,982
Total fully amortised intangible assets	3,595,628	3,027,433	3,707,180	3,087,982

37 Deferred tax assets / (liabilities)

Accounting policy

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

NOTES TO THE FINANCIAL STATEMENTS

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/ (reversal)" - (Note 18.2).

37.1 Bank

As at 31 December	2023				2022			
	Deferred tax assets	Deferred tax liabilities	Statement of profit or loss	Other comprehensive income/equity	Deferred tax assets	Deferred tax liabilities	Statement of profit or loss	Other comprehensive income/ equity
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Retirement benefits	7,702,974	-	(329,348)	5,682,082	2,350,240	-	(401,392)	1,464,274
Revaluation of property, plant and equipment	(9,137,381)	-	102,589	(1,961,601)	(7,278,369)	-	(5,272)	(1,859,253)
Investment in financial instruments	(1,272,671)	-	-	(256,508)	(1,016,163)	-	-	(726,486)
Temporary difference of provision for impairment	20,998,637	-	(445,941)	-	21,444,578	-	14,259,491	-
Other temporary differences	211,838	-	134,658	-	77,180	-	693,392	-
Total	18,503,397	-	(538,042)	3,463,973	15,577,466	-	14,546,219	(1,121,465)

37.2 Group

As at 31 December	2023				2022			
	Deferred tax assets	Deferred tax liabilities	Statement of profit or loss	Other comprehensive income/equity	Deferred tax assets	Deferred tax liabilities	Statement of profit or loss	Other comprehensive income/ equity
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Retirement benefits	7,702,975	7,357	(440,542)	5,705,542	2,350,241	95,091	(350,615)	1,421,714
Revaluation of property, plant and equipment	(9,137,381)	(2,678,399)	282,969	(2,487,921)	(7,278,369)	(2,332,459)	169,893	(2,422,494)
Investment in financial instruments	(1,272,670)	-	-	(256,508)	(1,016,162)	-	-	(726,486)
Temporary difference of provision for impairment	20,998,637	-	(395,619)	-	21,444,578	(50,322)	14,207,758	-
Other temporary differences	302,997	(262,554)	348,721	-	98,253	(406,531)	544,010	-
Total	18,594,558	(2,933,596)	(204,471)	2,961,113	15,598,541	(2,694,221)	14,571,046	(1,727,266)

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".

		Bank		Group	
As at 31 December	Note	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Consumable stock in hand		1,172,243	927,014	1,235,588	1,023,662
Prepaid staff cost		28,662,256	19,419,943	28,662,256	19,419,943
Cheques in transit - Local		9,302,509	2,467,486	9,302,509	2,467,486
Cheques in transit - Foreign		4,808	7,974	4,808	7,974
Tax recoverable	45	-	-	2,774	17,312
Gold bullion and coins in hand		184,026	237,624	184,026	237,624
Net employee benefit asset	48	18,884,191	20,526,202	18,884,191	20,526,202
Other		54,064,200	52,863,741	54,645,652	53,576,395
Total other assets		112,274,233	96,449,984	112,921,804	97,276,598

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	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Deposits from other banks	938,301	1,626,196	938,301	1,626,196
Bank overdrafts	2,109,431	9,888,701	2,224,162	9,921,518
Total due to banks	3,047,732	11,514,897	3,162,463	11,547,714

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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 securities sold under repurchase agreements reflecting 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	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
With banks	1,720,373	134,550,201	1,087,073	134,270,402
With customers	76,742,697	45,668,342	76,742,697	45,668,342
Total Securities sold under repurchase agreements	78,463,070	180,218,543	77,829,770	179,938,744

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 - "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	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Foreign Currency Derivatives				
Forward exchange contracts	79,062	585,333	79,062	585,333
Currency SWAPs	2,090,140	335,700	2,090,140	335,700
Total derivative financial instruments	2,169,202	921,033	2,169,202	921,033

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

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Local currency deposits				
Demand deposits	180,592,681	174,674,605	180,048,039	174,245,474
Savings deposits	1,034,735,718	558,213,697	1,035,696,345	558,984,668
Time deposits	1,695,628,262	1,558,730,483	1,714,698,285	1,576,815,334
Other deposits	4,035,128	4,785,426	4,042,100	4,785,426
Total local currency deposits	2,914,991,789	2,296,404,211	2,934,484,769	2,314,830,902
Foreign currency deposits				
Demand deposits	50,829,782	56,168,342	51,778,862	57,356,149
Savings deposits	174,171,409	189,799,490	174,970,315	190,755,490
Time deposits	738,711,301	786,788,397	744,818,698	789,642,062
Other deposits	3,528,042	5,613,821	3,528,042	5,613,821
Total foreign currency deposits	967,240,534	1,038,370,050	975,095,917	1,043,367,522
Total deposits	3,882,232,323	3,334,774,261	3,909,580,686	3,358,198,424

42.2 By currency

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Sri Lankan Rupee (LKR)	2,914,991,789	2,296,404,211	2,934,484,769	2,314,830,902
United States Dollar (USD)	847,884,778	914,129,417	847,900,906	914,141,915
Great Britain Pound (GBP)	52,998,951	58,144,433	60,810,245	63,096,794
Maldivian Rufiyaa (MVR)	21,677,540	18,382,271	21,677,540	18,382,271
Seychellois Rupee (SCR)	3,323,312	2,611,922	3,323,312	2,611,922
Euro (EUR)	16,257,495	18,344,077	16,266,078	18,362,504
Australian Dollar (AUD)	11,700,572	12,679,056	11,700,572	12,679,056
Indian Rupee (INR)	9,545,387	10,282,833	9,545,387	10,282,833
Other	3,852,499	3,796,041	3,871,877	3,810,227
Total deposits	3,882,232,323	3,334,774,261	3,909,580,686	3,358,198,424

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.

NOTES TO THE FINANCIAL STATEMENTS

	Bank		Group	
As at 31 December	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Standing lending facility	-	294,055,219	-	294,055,219
Call borrowings from banks and other financial institutions in Sri Lanka	-	-	1,168,008	628,373
Term borrowings from banks abroad	25,989,374	83,925,643	26,557,602	89,670,712
Term borrowings from banks and other financial institutions in Sri Lanka	-	2,617,349	190,269	2,837,947
Refinance borrowings	7,676,862	9,891,332	7,676,862	9,891,332
Total other borrowings	33,666,236	390,489,543	35,592,741	397,083,583

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	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Senior debentures	44.1	-	-	730,839	58,807
Total debt securities issued		-	-	730,839	58,807

Note: The maturity analysis of debt securities issued is given in Note 60.

44.1 Senior debentures

	Bank		Group	
As at 31 December	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Listed debentures				
Unsecured, redeemable debentures of LKR 100 each	-	-	730,839	58,807
Total debt securities issued	-	-	730,839	58,807

44.2 Movement in senior debentures

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balance as at 1 January	-	-	58,807	2,107,182
Issued during the year	-	-	622,830	67,700
Redemptions	-	-	-	(2,107,182)
Amortisation adjustments	-	-	49,202	(8,893)
Balance as at 31 December	-	-	730,839	58,807

44.3 Senior debentures

Amount as at 31 December	Note	Interest payable frequency	Issue date	Maturity date	Coupon rate		Bank		Group	
					2023 %	2022 %	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Fixed interest rate										
Unsecured, redeemable debentures	(a)	Annually	16.11.2022	15.11.2027	29.50	24.00	-	-	22,894	24,472
Unsecured, redeemable debentures	(a)	Semi annually	16.11.2022	15.11.2027	28.00	23.50	-	-	31,132	34,335
Unsecured, redeemable debentures	(a)	Annually	10.04.2023	09.04.2028	29.50	-	-	-	315,719	-
Unsecured, redeemable debentures	(a)	Semi annually	10.04.2023	09.04.2028	28.00	-	-	-	254,259	-
Unsecured, redeemable debentures	(a)	At Maturity	10.04.2023	09.04.2028	30.00	-	-	-	106,835	-
Total debt securities issued							-	-	730,839	58,807

Note :
(a) Debentures that are listed in Colombo Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS

45 Current tax liabilities

	Bank		Group	
As at 31 December	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	6,523,443	647,993	6,836,397	978,532
Current tax expense	13,110,855	13,550,460	13,950,967	13,774,530
Payments during the year	(12,124,580)	(5,500,380)	(12,604,215)	(5,796,331)
Double tax relief and tax credit	(3,091,907)	(2,133,684)	(3,285,976)	(1,961,485)
Prior year and other adjustments	3,203,864	(40,946)	2,977,524	(141,537)
Closing balance at 31 December	7,621,675	6,523,443	7,874,697	6,836,397
Current tax assets	-	-	2,774	17,312
Current tax liabilities	7,621,675	6,523,443	7,877,471	6,853,709
Current tax liabilities/ (assets)	7,621,675	6,523,443	7,874,697	6,836,397

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.

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 contract liabilities - Life

	Group	
	2023 LKR '000	2022 LKR '000
Balance as at 1 January	355,190	413,743
Increase / (decrease) in life fund	23,602	(105,016)
Fair value reserve	(18,463)	6,814
Unclaimed benefits	(723)	39,649
Balance as at 31 December	359,606	355,190

46.2 Insurance contract liabilities - Non life

	Group	
As at 31 December	2023 LKR '000	2022 LKR '000
Provision for reported claims by policy holders	373,695	363,604
Provision for claims on Incurred But Not Reported (IBNR)	41,497	44,414
Outstanding claims provision	415,192	408,018
Provision for unearned premiums	256,536	254,755
Total insurance contract liabilities - Non life	671,728	662,773

47 Other liabilities

		Bank		Group	
As at 31 December	Note	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Cheques sent on clearing		690,217	2,948,898	690,217	2,948,898
Lease creditors					
Within 12 months		139,269	646,877	168,355	686,801
Later than 12 months		2,559,551	1,760,312	1,481,758	1,141,835
Net employee benefit liabilities	48	44,560,774	28,360,338	45,018,752	28,716,772
Other		40,191,736	60,359,225	42,476,727	62,930,924
Total other liabilities		88,141,547	94,075,650	89,835,809	96,425,230

NOTES TO THE FINANCIAL STATEMENTS

48 Employee retirement benefit plans

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	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Net employee benefit liabilities					
Bank of Ceylon Pension Trust Fund	48.1.3	42,665,507	26,738,169	42,665,507	26,738,169
Provision for terminal gratuity	48.3	792,280	667,703	1,250,258	1,024,137
Provision for encashment of medical leave	48.5	1,102,987	954,466	1,102,987	954,466
Total net employee benefit liabilities		44,560,774	28,360,338	45,018,752	28,716,772
Net employee benefit assets					
Bank of Ceylon Widows'/ Widowers' and Orphans' Pension Fund	48.2.3	9,024,137	10,060,347	9,024,137	10,060,347
Bank of Ceylon Pension Fund-2014	48.4.3	9,860,054	10,465,855	9,860,054	10,465,855
Total net employee benefit assets		18,884,191	20,526,202	18,884,191	20,526,202

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. The subsidiaries and associate companies of the Group do not have pension funds.

An actuarial valuation of the Pension Trust Fund as at 31 December 2023 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:

48.1.1 Net benefit expense (recognised under personnel expenses)

	Bank / Group	
For the year ended 31 December	2023 LKR '000	2022 LKR '000
Current service cost	83,724	148,893
Net interest expenses	4,812,871	2,365,284
Net benefit expense	4,896,595	2,514,177

48.1.2 Amount recognised in other comprehensive income

	Bank / Group	
For the year ended 31 December	2023 LKR '000	2022 LKR '000
Actuarial (gains) / losses on the defined benefit obligation	19,950,025	859,487
Actuarial (gains) / losses on plan assets	(7,767,826)	3,098,205
Net actuarial (gains) / losses recognised in other comprehensive income	12,182,199	3,957,692

48.1.3 Net retirement benefit liability

		Bank / Group	
As at 31 December	Note	2023 LKR '000	2022 LKR '000
Fair value of plan assets	48.1.4	51,144,443	44,663,506
Defined benefit obligation	48.1.5	93,809,950	71,401,675
Net retirement benefit liability		42,665,507	26,738,169

48.1.4 Changes in fair value of plan assets

	Bank / Group	
	2023 LKR '000	2022 LKR '000
Balance as at 1 January	44,663,506	50,384,695
Expected return	8,039,431	5,542,317
Contribution by employer	1,151,456	1,236,285
Benefits paid	(10,477,776)	(9,401,586)
Actuarial gains / (losses) on plan assets	7,767,826	(3,098,205)
Balance as at 31 December	51,144,443	44,663,506

NOTES TO THE FINANCIAL STATEMENTS

48.1.5 Changes in the present value of the defined benefit obligation

	Bank / Group	
	2023 LKR '000	2022 LKR '000
Balance as at 1 January	71,401,675	71,887,280
Interest cost	12,852,302	7,907,601
Current service cost	83,724	148,893
Benefits paid	(10,477,776)	(9,401,586)
(Gains)/ losses due to change in assumptions	23,293,538	(22,346,040)
Actuarial (gains)/ losses on obligation	(3,343,513)	23,205,527
Balance as at 31 December	93,809,950	71,401,675

The present value of the Defined Benefit Obligation as of the valuation date with respect to active employees and pensioners are LKR 3,677.7 million and LKR 90,132.3 million respectively.

48.1.6 Plan assets consist of the following:

	Bank / Group	
As at 31 December	2023 LKR '000	2022 LKR '000
Fixed deposits	41,941,651	33,880,775
Treasury bonds	-	3,119,344
Debentures	2,900,525	4,131,592
Investment in shares	5,141,011	2,630,160
Others	1,161,256	901,635
Total plan assets	51,144,443	44,663,506

48.1.7 Actuarial assumptions

	Bank / Group	
As at 31 December	2023 %	2022 %
Future salary increment rate	10.00 p.a	15.00 p.a
Increase in future Cost of Living Allowance (COLA)	8.00 p.a	8.00 p.a
Increase in pension in payment (Basic)	1.75 p.a	1.75 p.a
Discount rate	13.00 p.a	18.00 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 change the present value of defined benefit obligation as illustrated below;

	Bank / Group	
	0.5% increase	0.5% decrease
	LKR '000	LKR '000
Discount rate	90,818,577	96,987,303
Salary increment	93,843,551	93,776,944
Cost of Living Allowance	96,217,355	91,534,611

Further, the remaining years of benefit payments are expected to be 7.4 years.

The following payments are expected from the Pension Trust Fund in future years.

	Bank / Group	
As at 31 December	2023	2022
	LKR '000	LKR '000
Within the next 12 months	9,965,676	9,657,728
Between 1 and 5 years	38,297,398	33,257,597
Between 5 and 10 years	23,122,645	16,610,499
Beyond 10 years	22,424,231	11,875,851
Total expected payments	93,809,950	71,401,675

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 2023 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	2023	2022
	LKR '000	LKR '000
Current service cost	3,597	8,285
Net interest income	(1,810,862)	(1,328,039)
Net benefit expense / (income)	(1,807,265)	(1,319,754)

NOTES TO THE FINANCIAL STATEMENTS

48.2.2 Amount recognised in other comprehensive income

	Bank / Group	
For the year ended 31 December	2023 LKR '000	2022 LKR '000
Actuarial (gains) / losses on the defined benefit obligation	8,570,729	2,443,015
Actuarial (gains) / losses on plan assets	(5,688,999)	629,318
Actuarial (gains)/losses on actuarial valuation	2,881,730	3,072,333

48.2.3 Retirement benefit assets

		Bank / Group	
As at 31 December	Note	2023 LKR '000	2022 LKR '000
Fair value of plan assets	48.2.4	37,901,108	29,011,391
Defined benefit obligation	48.2.5	(28,876,971)	(18,951,044)
Retirement benefit assets		9,024,137	10,060,347

48.2.4 Changes in fair value of plan assets

	Bank / Group	
	2023 LKR '000	2022 LKR '000
Balance as at 1 January	29,011,391	28,076,481
Expected return	5,222,050	3,172,642
Contribution paid in to plan	38,255	60,366
Benefits paid	(2,059,587)	(1,668,780)
Actuarial gains / (losses) on plan asset	5,688,999	(629,318)
Balance as at 31 December	37,901,108	29,011,391

48.2.5 Changes in the present value of the defined benefit obligation

	Bank / Group	
	2023 LKR '000	2022 LKR '000
Balance as at 1 January	18,951,044	16,323,921
Interest cost	3,411,188	1,844,603
Current service cost	3,597	8,285
Benefits paid	(2,059,587)	(1,668,780)
Actuarial (gains) / losses on obligation	(452,310)	8,900,020
(Gain)/ losses due to change in assumptions	9,023,039	(6,457,005)
Balance as at 31 December	28,876,971	18,951,044

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 236.9 million, LKR 8,836.0 million and LKR 19,804.0 million respectively.

48.2.6 Plan assets consist of the following

	Bank / Group	
As at 31 December	2023 LKR '000	2022 LKR '000
Fixed deposits	37,899,905	26,822,116
Debentures	-	2,187,743
Others	1,203	1,532
Total plan assets	37,901,108	29,011,391

48.2.7 Actuarial assumptions

	Bank / Group	
As at 31 December	2023 %	2022 %
Future salary increment rate	10.00 p.a	15.00 p.a
Increase in future Cost of Living Allowance (COLA)	8.00 p.a	8.00 p.a
Increase in widows' /widowers' and orphans' pension in payment (Basic)	Nil	Nil
Discount rate	13.00 p.a	18.00 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	0.5% decrease LKR '000
Discount rate	27,672,432	30,173,454
Salary increment	28,877,831	28,876,124
Cost of living allowance	30,079,913	27,754,930

Further, the remaining years of benefit payments are expected to be 9.7 years.

The following payments are expected from the fund in future years.

	Bank / Group	
As at 31 December	2023 %	2022 %
Within the next 12 months	2,131,329	1,943,567
Between 1 and 5 years	9,187,803	7,441,936
Between 5 and 10 years	6,912,710	4,576,467
Beyond 10 years	10,645,129	4,989,074
Total expected payments	28,876,971	18,951,044

NOTES TO THE FINANCIAL STATEMENTS

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 2023 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	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balance as at 1 January	667,703	486,334	1,024,137	882,629
Provision charge / (reversal) during the year	173,686	105,253	273,972	180,221
Actuarial (gains) / losses	60,994	136,580	78,302	(47,995)
Payments made during the year	(110,103)	(60,464)	(117,592)	(74,417)
Adjustment / transfers	-	-	(8,561)	83,699
Balance as at 31 December	792,280	667,703	1,250,258	1,024,137

The principal actuarial assumptions used in the valuation were as follows :

	Bank / Group	
As at 31 December	2023 %	2022 %
Future salary increment rate	10.00 p.a	15.00p.a
Increase in future Cost of Living Allowance (COLA)	8.00 p.a	8.00 p.a
Discount rate	13.00 p.a	18.00 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 11.3 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	754,146	833,355	1,190,081	1,315,076
Salary increment	819,414	766,932	1,293,077	1,226,038
Cost of living allowance	809,286	776,432	1,277,094	1,225,249

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 2023 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	2023	2022
	LKR '000	LKR '000
Current service cost	317,474	717,701
Net interest income	(1,883,854)	(634,620)
Net benefit expense	(1,566,380)	83,081

48.4.2 Amount recognised in other comprehensive income

	Bank / Group	
For the year ended 31 December	2023	2022
	LKR '000	LKR '000
Actuarial (gains) / losses on the defined benefit obligation	5,691,442	(4,224,874)
Actuarial (gains) / losses on plan assets	(1,859,075)	712,909
Net actuarial (gains) / losses recognised in other comprehensive income	3,832,367	(3,511,965)

48.4.3 Retirement benefit assets

		Bank / Group	
As at 31 December	Note	2023	2022
		LKR '000	LKR '000
Fair value of plan assets	48.4.4	20,667,766	14,667,395
Defined benefit obligation	48.4.5	(10,807,712)	(4,201,540)
Net retirement benefit assets		9,860,054	10,465,855

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48.4.4 Changes in fair value of plan assets

	Bank / Group	
	2023 LKR '000	2022 LKR '000
Balance as at 1 January	14,667,395	12,512,509
Expected return	2,640,131	1,438,939
Contribution by employer	1,660,186	1,518,540
Benefits paid	(159,021)	(89,684)
Actuarial gains / (losses) on plan asset	1,859,075	(712,909)
Balance as at 31 December	20,667,766	14,667,395

48.4.5 Changes in the present value of the defined benefit obligation

	Bank / Group	
	2023 LKR '000	2022 LKR '000
Balance as at 1 January	4,201,540	6,994,078
Interest cost	756,277	804,319
Past service cost	-	-
Current service cost	317,474	717,701
Benefits paid	(159,021)	(89,684)
Actuarial (gains) / losses on obligation	(279,673)	945,849
(Gains) / losses due to change in assumptions	5,971,115	(5,170,723)
Balance as at 31 December	10,807,712	4,201,540

The present value of the defined benefit obligation as of the valuation date with respect to active employees and pensioners are LKR 10,652.2 million and LKR 155.5 million respectively.

48.4.6 Plan assets consist of the following

	Bank / Group	
As at 31 December	2023 LKR '000	2022 LKR '000
Fixed deposits	19,841,821	13,739,827
Debentures	824,206	916,136
Others	1,739	11,432
Total plan assets	20,667,766	14,667,395

48.4.7 Actuarial assumptions

	Bank / Group	
As at 31 December	2023	2022
	%	%
Future salary increment rate	10.00 p.a*	15.00 p.a
Increase in future Cost of Living Allowance (COLA)	8.00 p.a	8.00 p.a
Increase in pension in payment (Basic)	Nil	Nil
Discount rate	13.00 p.a	18.00 p.a
Attrition rate	Nil	Nil

* For the purpose of the valuation of the fund, the Bank has assumed future salary increment rate of 10% per annum for basic salary. However, according to the salary increment rates of the pension scheme, all future increment rates are capped at 8% on 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	0.5% decrease
	LKR '000	LKR '000
Discount rate	9,721,822	11,699,437
Salary increment	11,117,052	10,225,289
Cost of Living Allowance	11,017,098	10,319,203

Further, the remaining years of benefit payments are expected to be 20.7 years.

The following payments are expected from the Pension Fund in future years.

	Bank / Group	
As at 31 December	2023	2022
	LKR '000	LKR '000
Within the next 12 months	76,946	50,618
Between 1 and 5 years	810,205	520,751
Between 6 and 10 years	1,256,707	727,835
Beyond 10 years	8,663,854	2,902,336
Total expected payments	10,807,712	4,201,540

NOTES TO THE FINANCIAL STATEMENTS

48.5 Provision for encashment of medical leave

	Bank / Group	
	2023 LKR '000	2022 LKR '000
Balance as at 1 January	954,466	646,064
Provision charge / (reversal) during the year	171,804	73,005
Actuarial (gain) / losses	21,238	250,942
Payments made during the year	(44,521)	(15,545)
Balance as at 31 December	1,102,987	954,466

The principal actuarial assumptions used in the valuation were as follows :

	Bank / Group	
As at 31 December	2023 %	2022 %
Future salary increment rate	10.00 p.a	15.00 p.a
Increase in future Cost of Living Allowance (COLA)	8.00 p.a	8.00 p.a
Discount rate	13.00 p.a	18.00 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 17.1 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
Discount rate	1,023,341	1,190,835
Salary increment	1,162,040	1,049,140

The following payments are expected from the Provision for encashment of medical leave in future years.

	Bank / Group	
As at 31 December	2023 LKR '000	2022 LKR '000
Within the next 12 months	33,965	39,678
Between 1 and 5 years	135,359	132,361
Between 6 and 10 years	118,513	107,164
Beyond 10 years	815,150	675,263
Total expected payments	1,102,987	954,466

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.

	Bank		Group	
As at 31 December	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Listed debentures				
Unsecured, subordinated, redeemable debentures of LKR 100 each	10,020,013	5,038,775	10,020,013	5,038,775
Unlisted debentures				
Unsecured, subordinated, redeemable debentures of LKR 100 each (private placement)	35,608,086	39,169,530	35,608,086	39,169,530
Additional Tier I capital bond				
Unsecured, subordinated, perpetual capital bonds of LKR 100 each (private placement)	19,063,711	19,549,886	18,809,221	19,290,294
Total subordinated term debts	64,691,810	63,758,191	64,437,320	63,498,599

49.1 The movement in subordinated liabilities

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balance as at 1 January	63,758,191	64,358,855	63,498,599	64,105,970
Issued during the year*	10,000,000	6,490,000	10,000,000	6,490,000
Redemptions during the year	(10,385,589)	(8,103,950)	(10,385,589)	(8,103,950)
Amortisation adjustments	1,319,208	1,013,286	1,324,310	1,006,579
Balance as at 31 December	64,691,810	63,758,191	64,437,320	63,498,599

*As stated in the prospectus, the following table indicates utilisation of funds raised through the debenture issued during the year and the funds raised will not be used for Related Party Transactions.

Objective number	Objective as per Prospectus	Amount allocated as per Prospectus in LKR	Proposed date of utiliation as per Prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amounts utilized in LKR (B)	% of utiliation against allocation (B/A)	Clarification if not fully utilized including where the funds are invested (eg : whether lent to related party/s etc...)
1	To increase the Tier II capital of the Bank in order to enhance the Capital Adequacy Ratio (CAR) and single borrower limit.	10 Billion	27.12.2023	10 Billion	100	10 Billion	100	Not Appilicable
2	To minimize and manage the gap exposure in the Bank's assets/ liability portfolios.							
3	To strengthen the Bank's liquidity position and to increase the asset base / loan book.		on or before 27.12.2024					Funds will be utilised on or before 27.12.2024

NOTES TO THE FINANCIAL STATEMENTS

49.2 Type of debentures

	Notes	Interest payable frequency	Issue date	Maturity date	Coupon rate		Bank		Group	
					2023 %	2022 %	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Fixed interest rate										
Listed, Unsecured, subordinated, redeemable debentures	(a)	Annually	25.10.2013	24.10.2023	-	13.75	-	1,637,668	-	1,637,668
Listed, Unsecured, subordinated, redeemable debentures	(a)	Annually	06.10.2015	05.10.2023	-	9.50	-	1,205,521	-	1,205,521
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	28.12.2025	12.75	12.75	5,003,247	5,004,820	5,003,247	5,004,820
Unlisted, Unsecured, subordinated, redeemable debentures		Annually	31.07.2018	30.07.2026	12.00	12.00	7,027,303	7,027,089	7,027,303	7,027,089
Unlisted, Unsecured, subordinated, redeemable debentures		Annually	03.12.2018	02.12.2023	-	12.00	-	5,347,618	-	5,347,618
Unlisted, Unsecured, subordinated, redeemable debentures		Annually	27.06.2019	26.06.2024	11.75	11.75	3,176,622	3,176,634	3,176,622	3,176,634
Unlisted, Unsecured, subordinated, redeemable debentures		Annually	17.07.2019	16.07.2024	11.80	11.80	1,104,087	1,104,092	1,104,087	1,104,092
Unlisted, Unsecured, subordinated, redeemable debentures		Annually	18.07.2019	17.07.2024	11.80	11.80	2,315,154	2,315,164	2,315,154	2,315,164
Unlisted, Unsecured, subordinated, redeemable debentures		Annually	23.07.2019	22.07.2024	11.80	11.80	2,626,148	2,626,346	2,626,148	2,626,346
Unlisted, Unsecured, subordinated, redeemable debentures		Annually	24.07.2019	23.07.2024	11.50	11.50	419,669	419,670	419,669	419,670
Unlisted, Unsecured, subordinated, redeemable debentures		Annually	26.07.2019	25.07.2027	11.75	11.75	64,171	64,174	64,171	64,174
Unlisted, Unsecured, subordinated, redeemable debentures		Annually	30.12.2022	29.12.2027	29.00	29.00	8,375,369	6,494,529	8,375,369	6,494,529
Listed, Unsecured, subordinated, redeemable debentures With non viability written down featuers	(a)	Annually	27.12.2023	27.12.2028	15.00	-	10,019,209	-	10,019,209	-
Total fixed interest rate subordinated debentures							40,131,763	36,424,109	40,131,763	36,424,109
Floating interest rate										

	Notes	Interest payable frequency	Issue date	Maturity date	Coupon rate		Bank		Group	
					2023 %	2022 %	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
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	-	2,194,782	-	2,194,782
Listed, Unsecured, subordinated, redeemable debentures (6 months TB rate (Gross) plus 125 basis points)	(a)/(b)	Semi annually	29.12.2016	28.12.2024	15.41	33.51	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	17.25	35.01	5,496,316	5,589,394	5,496,316	5,589,394
Total floating interest rate subordinated debentures							5,496,336	7,784,196	5,496,336	7,784,196
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	15.36	25.34	5,360,837	5,583,891	5,360,837	5,583,891
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	14.39	30.96	10,111,114	10,224,787	10,111,114	10,224,787
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	15.36	25.34	3,591,760	3,741,208	3,337,270	3,481,616
Total Additional Tier I capital bonds							19,063,711	19,549,886	18,809,221	19,290,294
Total subordinated debentures							64,691,810	63,758,191	64,437,320	63,498,599

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

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 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
Capital pending allotment *				
Balance as at 1 January	730,000	-	730,000	-
Capital infusion during the year	-	730,000	-	730,000
Balance as at 31 December	25,730,000	25,730,000	25,730,000	25,730,000

* Capital pending allotment
Bank received LKR 730 million from the Government of Sri Lanka during the year 2022. This amount has been reported under capital pending allotment as of 31 December 2023.

50.2 Net assets value per share

As at 31 December	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Amount used as the numerator				
Total equity attributable to equity holder of the Bank (LKR '000)	251,714,720	254,184,143	271,457,990	271,473,567
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)	10,068.59	10,167.37	10,858.32	10,858.94

51 Permanent reserve fund

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balance as at 1 January	15,131,000	14,491,000	15,131,000	14,491,000
Transfers during the year	534,000	640,000	534,000	640,000
Balance as at 31 December	15,665,000	15,131,000	15,665,000	15,131,000

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 534.0 million was transferred to the permanent reserve during the year 2023. (2022 - LKR 640.0 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	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balance as at 1 January	158,616,238	136,739,177	159,819,481	138,104,222
Total comprehensive income for the year	13,435,335	29,591,465	14,260,934	29,597,605
Transfers to other reserves	(534,000)	(640,000)	(851,149)	(640,000)
Transfers from other reserves	-	10,548	-	10,548
Surcharge tax	-	(6,738,542)	-	(7,042,422)
Disposal of subsidiaries	-	-	-	-
Reversal of unclaimed dividend	-	-	-	1,427
Revaluation adjustment	7,241	-	7,241	-
Change of non controlling interest	-	-	-	134,511
Dividend	(173,205)	(346,410)	(173,205)	(346,410)
Balance as at 31 December	171,351,609	158,616,238	173,063,302	159,819,481

53 Cash flow hedge reserve

Accounting policy

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	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balance as at 1 January	25,620,635	3,239,266	25,620,635	3,239,266
Net gains / (losses) on cash flow hedge instruments	(20,369,118)	22,381,369	(20,369,118)	22,381,369
Balance as at 31 December	5,251,517	25,620,635	5,251,517	25,620,635

NOTES TO THE FINANCIAL STATEMENTS

54 Other reserves

		Bank		Group	
As at 31 December	Note	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Revaluation reserve	54.1	22,227,386	17,315,482	33,687,424	27,558,103
Free reserve	54.2	169,067	169,067	366,644	366,644
Exchange translation reserve	54.3	8,762,834	10,740,397	12,335,352	14,304,404
Fair value through OCI reserve	54.4	2,557,307	861,324	4,999,807	2,584,356
Statutory reserve - other	54.5	-	-	358,944	358,944
Total other reserves		33,716,594	29,086,270	51,748,171	45,172,451

54.1 Revaluation reserve

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balance as at 1 January	17,315,482	17,356,542	27,558,103	26,302,644
Change in revaluation surplus/ (deficit)	6,880,746	1,818,193	8,635,144	3,695,662
Deferred tax effect on above Revaluation adjustment	(1,961,601)	(1,859,253)	(2,487,921)	(2,422,494)
Revaluation surplus of disposed property	(7,241)	-	(7,241)	-
Transferred to non-controlling interest	-	-	(10,661)	(17,709)
Balance as at 31 December	22,227,386	17,315,482	33,687,424	27,558,103

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		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 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

Free reserve has been created for unforeseeable risks and future losses.

54.3 Exchange translation reserve

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balance as at 1 January	10,740,397	3,176,353	14,304,404	4,461,200
Exchange differences on translation of foreign operations	(1,977,563)	7,564,044	(2,286,201)	9,843,204
Transfers to other reserves	-	-	317,149	-
Balance as at 31 December	8,762,834	10,740,397	12,335,352	14,304,404

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	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balance as at 1 January	861,324	588,427	2,584,356	1,483,412
Net gains/ (losses) on investments in debt instruments measured at FVTOCI	165,673	1,328,890	272,685	1,312,732
Net (gains)/ losses on investments in financial assets at FVTOCI reclassification to profit or loss	-	(5,631)	-	(5,631)
Deferred tax effect on above	(148,518)	(140,185)	(148,518)	(140,185)
Change in fair value on investments in equity instruments measured at FVTOCI	1,786,818	(313,328)	2,412,486	547,780
Deferred tax effect on above	(107,990)	(586,301)	(107,990)	(586,301)
Transferred to other reseved	-	(10,548)	-	-
Transferred to non-controlling interest	-	-	(13,212)	(27,451)
Balance as at 31 December	2,557,307	861,324	4,999,807	2,584,356

54.5 Statutory reserve - other

	Bank		Group	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balance as at 1 January	-	-	358,944	358,944
Transfers	-	-	-	-
Balance as at 31 December	-	-	358,944	358,944

NOTES TO THE FINANCIAL STATEMENTS

55 Non controlling interest

As at 31 December	Group 2023 LKR '000	Group 2022 LKR '000
Property Development Limited	66,693	117,640
Merchant Bank of Sri Lanka and Finance PLC	647,660	632,109
MBSL Insurance Company Limited	406,472	307,232
Hotels Colombo (1963) Limited	(29)	(14)
Total non-controlling interest	1,120,796	1,056,967

56 Notes to the statement of cash flows

56.1 Change in operating assets

For the year ended 31 December	Bank 2023 LKR '000	Bank 2022 LKR '000	Group 2023 LKR '000	Group 2022 LKR '000
Change in deposits with regulatory authorities	35,561,890	3,627,252	35,561,890	3,627,252
Change in loans and advances to customers	178,641,032	(284,936,169)	177,603,411	(282,735,630)
Net (increase)/ decrease of financial assets measured at fair value through profit or loss	(28,584,267)	(995,720)	(34,379,618)	(1,078,270)
Net (increase)/ decrease in securities purchased under resale agreements and placements with Banks	(60,738,383)	(10,907,815)	(57,445,337)	(10,956,000)
Net (increase)/ decrease in derivative financial instruments	36,629,646	(52,812,955)	36,629,646	(52,812,955)
Change in other operating assets	(30,937,022)	(46,632,822)	(31,857,699)	(45,897,858)
Total	130,572,896	(392,658,229)	126,112,293	(389,853,461)

56.2 Change in operating liabilities

For the year ended 31 December	Bank 2023 LKR '000	Bank 2022 LKR '000	Group 2023 LKR '000	Group 2022 LKR '000
Net Increase/ (decrease) in deposits from banks	(687,895)	(451,701)	(687,895)	(451,701)
Net Increase/ (decrease) in deposits from customers	532,580,379	408,649,429	536,504,579	412,730,508
Net increase/ (decrease) in securities sold under repurchase agreements	(101,755,473)	18,062,130	(102,108,974)	18,270,409
Net increase/ (decrease) in short term borrowings	(287,704,308)	3,322,897	(289,374,247)	3,022,842
Net increase/ (decrease) in derivative financial instruments	1,248,169	540,705	1,248,169	540,705
Change in other operating liabilities	(37,470,328)	79,957,246	(36,857,029)	82,933,004
Total	106,210,544	510,080,706	108,724,603	517,045,767

56.3 Other non cash items included in profit before tax

	Bank		Group	
For the year ended 31 December	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Gains/ (losses) on revaluation of foreign exchange	7,231,150	15,450,104	7,231,150	15,450,104
Expenses recognised for defined benefit plans	1,868,440	1,455,762	1,982,003	1,539,682
Impairment charges	(4,906,277)	87,155,696	(5,048,666)	87,294,905
Depreciation of investment property	-	-	9,190	2,906
Depreciation of property, plant and equipment	1,846,426	1,894,960	2,692,672	2,717,917
Amortisation of intangible assets and leasehold properties	2,006,505	2,391,939	1,527,380	1,786,545
Accrual for expenses and other non cash items	7,555,811	(3,157,948)	7,548,717	(3,060,353)
Total	15,602,055	105,190,513	15,942,446	105,731,706

57 Contingent liabilities and commitments

Accounting policy

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	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Contingent liabilities	57.1	915,815,065	647,175,115	924,939,454	648,450,696
Undrawn and undisbursed facilities	57.2	602,718,487	677,788,996	602,718,487	677,789,012
Capital commitments	57.3	14,916,641	13,733,168	15,012,022	13,769,157
Lease commitments	57.4	5,756,036	6,202,490	6,222,148	6,911,191
Total contingent liabilities and commitments		1,539,206,229	1,344,899,769	1,548,892,111	1,346,920,056

NOTES TO THE FINANCIAL STATEMENTS

57.1 Contingent liabilities

		Bank		Group	
As at 31 December	Note	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Acceptances and documentary credit		168,992,212	157,948,135	169,000,251	158,455,999
Bills for collection		58,195,110	64,815,618	58,195,110	64,815,618
Forward exchange contracts		393,201,966	199,453,327	401,621,939	199,453,327
Guarantees		164,216,780	167,974,583	164,389,473	168,133,083
Other commitments	57.1.1	131,208,997	56,983,452	131,732,681	57,592,669
Total contingent liabilities		915,815,065	647,175,115	924,939,454	648,450,696

57.1.1 Other commitments

	Bank		Group	
As at 31 December	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Sale commitment of securities for secondary market	3,930,048	-	3,930,048	-
Purchase commitment of securities for secondary market	22,398,423	-	22,398,423	-
Purchase commitment of securities for primary market	-	-	-	-
Forward exchange contract with financial institutions	400,736	170,721	400,736	170,721
Currency swaps	104,479,790	56,812,731	104,479,790	56,812,731
Other commitments	-	-	523,684	609,217
Total other commitments	131,208,997	56,983,452	131,732,681	57,592,669

57.2 Undrawn and undisbursed facilities

	Bank		Group	
As at 31 December	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Undisbursed amount of loans	61,045,949	63,053,702	61,045,949	63,053,718
Undrawn limits of overdrafts	163,738,287	129,604,869	163,738,287	129,604,869
Undrawn limits of credit cards	15,159,796	13,062,690	15,159,796	13,062,690
Undrawn limits of letters of credit	132,329,092	127,511,260	132,329,092	127,511,260
Undrawn limits of letters of guarantee	230,445,363	344,556,475	230,445,363	344,556,475
Total undrawn and undisbursed facilities	602,718,487	677,788,996	602,718,487	677,789,012

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

	Bank		Group	
As at 31 December	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Approved and contracted for	4,652,143	2,607,283	4,671,412	2,640,280
Approved and not contracted for	4,755,335	8,819,943	4,831,447	8,819,943
Total capital commitments in relation to property, plant and equipment	9,407,478	11,427,226	9,502,859	11,460,223

57.3.2 Capital commitments in relation to intangible assets

	Bank		Group	
As at 31 December	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Approved and contracted for	1,012,663	1,055,942	1,012,663	1,056,199
Approved and not contracted for	4,496,500	1,250,000	4,496,500	1,252,735
Total capital commitments in relation to intangilbe assets	5,509,163	2,305,942	5,509,163	2,308,934
Total capital commitments	14,916,641	13,733,168	15,012,022	13,769,157

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;

	Bank		Group	
As at 31 December	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Not later than 1 year	1,874,352	1,671,640	2,072,162	1,883,558
Later than 1 year and not later than 5 years	2,656,971	3,289,387	2,920,058	3,753,412
Later than 5 years	1,224,713	1,241,463	1,229,928	1,273,156
Total operating lease commitments	5,756,036	6,202,490	6,222,148	6,910,126

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;

	Bank		Group	
As at 31 December	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Not later than 1 year	-	-	-	1,065
Later than 1 year and not later than 5 years	-	-	-	-
Total finance lease commitments	-	-	-	1,065

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57.4.3 Total lease commitments

	Bank		Group	
As at 31 December	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Operating lease commitments	5,756,036	6,202,490	6,222,148	6,910,126
Financing lease commitments	-	-	-	1,065
Total lease commitments	5,756,036	6,202,490	6,222,148	6,911,191

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 2023, claims for the Legal Actions against the Bank approximately amount to LKR 6,353.0 million (2022: LKR 6,647.6 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	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Borrowings				
Securities sold under repurchase agreements	78,463,070	180,218,543	77,829,770	179,938,744
	78,463,070	180,218,543	77,829,770	179,938,744
Secured by ;				
Treasury bills	-	-	-	-
Treasury bonds	84,157,764	183,322,972	83,524,464	183,043,173
Total assets pledged as securities	84,157,764	183,322,972	83,524,464	183,043,173

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

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 2023 in to the contractual maturity date, is given in the table below.

	Bank			Group		
As at 31 December 2023	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	135,550,505	-	135,550,505	137,369,158	-	137,369,158
Balances with Central Banks	34,932,639	-	34,932,639	34,932,639	-	34,932,639
Placements with banks	74,966,171	-	74,966,171	73,024,979	-	73,024,979
Securities purchased under resale agreements	3,711,918	-	3,711,918	3,695,392	-	3,695,392
Derivative financial instruments	5,855,581	14,670,259	20,525,840	5,855,581	14,670,259	20,525,840
Financial assets measured at fair value through profit or loss	36,207,188	4,435,342	40,642,530	36,537,884	12,292,987	48,830,871
Financial assets measured at amortised cost - loans and advances	1,360,335,997	848,725,927	2,209,061,924	1,369,606,898	871,004,330	2,240,611,228
Financial assets measured at amortised cost - debt instruments	666,034,396	987,694,007	1,653,728,403	670,919,863	989,093,115	1,660,012,978
Financial assets measured at fair value through OCI	30,537,539	18,996,459	49,533,998	30,537,539	21,662,146	52,199,685
Investment in subsidiary companies	-	8,181,138	8,181,138	-	-	-
Investment in associate companies	-	92,988	92,988	-	737,115	737,115
Investment properties	-	2,414,640	2,414,640	-	95,446	95,446
Property, plant and equipment	-	42,564,498	42,564,498	-	59,566,898	59,566,898
Right of use assets/ leasehold properties	111,362	3,397,256	3,508,618	214,334	2,772,370	2,986,704
Intangible assets	-	1,554,875	1,554,875	-	1,654,722	1,654,722
Deferred tax assets	-	18,503,397	18,503,397	-	18,594,558	18,594,558
Other assets	93,390,042	18,884,191	112,274,233	93,783,609	19,138,195	112,921,804
Total assets	2,441,633,338	1,970,114,977	4,411,748,315	2,456,477,876	2,011,282,141	4,467,760,017
Percentage (%)	55.3%	44.7%	100%	55.0%	45.0%	100%

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	Bank			Group		
As at 31 December 2023	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	3,047,732	-	3,047,732	3,162,463	-	3,162,463
Securities sold under repurchase agreements	78,463,070	-	78,463,070	77,829,770	-	77,829,770
Derivative financial instruments	2,169,202	-	2,169,202	2,169,202	-	2,169,202
Financial liabilities at amortised cost - due to depositors	3,629,182,015	253,050,308	3,882,232,323	3,646,212,827	263,367,859	3,909,580,686
Financial liabilities at amortised cost - other borrowings	7,676,862	25,989,374	33,666,236	20,969,560	14,623,181	35,592,741
Debt securities issued	-	-	-	-	730,839	730,839
Current tax liabilities	7,621,675	-	7,621,675	7,877,471	-	7,877,471
Deferred tax liabilities	-	-	-	-	2,933,596	2,933,596
Insurance contract liabilities - Life	-	-	-	-	359,606	359,606
Insurance contract liabilities - Non-life	-	-	-	-	671,728	671,728
Other liabilities	41,021,221	47,120,326	88,141,547	41,911,549	47,924,260	89,835,809
Subordinated liabilities	9,642,484	55,049,326	64,691,810	9,642,484	54,794,836	64,437,320
Equity	-	251,714,720	251,714,720	-	272,578,786	272,578,786
Total liabilities and equity	3,778,824,261	632,924,054	4,411,748,315	3,809,775,326	657,984,691	4,467,760,017
Percentage (%)	85.7%	14.3%	100%	85.3%	14.7%	100%
Net gap	(1,337,190,923)	1,337,190,923	-	(1,353,297,450)	1,353,297,450	-

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	1,418,124,482	907,469,847	2,325,594,329	1,428,132,909	927,845,424	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	2,166,511,247	2,169,948,457	4,336,459,704	2,260,666,729	2,130,701,832	4,390,768,561
Percentage (%)	50.0%	50.0%	100.0%	51.5%	48.5%	100.0%

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	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 contract liabilities - Life	-	-	-	-	355,190	355,190
Insurance contract liabilities - 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	(1,526,059,368)	1,526,059,368	-	(1,448,094,764)	1,448,094,764	-

61 Related party disclosures

Accounting policy

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	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Short term employment benefits	22,312	28,022	23,364	28,640
Post employment benefits	7,657	7,694	7,657	7,694
Total	29,969	35,716	31,021	36,334

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	2023 LKR '000	2022 LKR '000
Interest income	225	219
Interest expenses	29,933	7,442
Compensation to KMP	29,969	35,716

(b) Items in statement of financial position

	KMP and CFMs	
As at 31 December	2023 LKR '000	2022 LKR '000
Assets		
Loans	5,015	3,275
Credit cards	130	-
	5,145	3,275
Liabilities		
Due to depositors	191,458	117,663
	191,458	117,663

NOTES TO THE FINANCIAL STATEMENTS

(c) Off balance sheet items

	KMP and CFMs	
As at 31 December	2023 LKR '000	2022 LKR '000
Undrawn facilities	1,770	759
	1,770	759

(d) Average accommodations/ due to depositors balances

	KMP and CFMs	
As at 31 December	2023 LKR '000	2022 LKR '000
Loans	4,145	5,229
Credit cards	65	-
Due to depositors	179,209	115,861

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

	Subsidiary companies		Associate companies	
For the year ended 31 December	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Interest income	1,864,026	862,419	115,713	119,006
Interest expenses	1,388,882	456,319	44,655	87,323
Other income	26,333	104,980	1,137	14,637
Other expenses	1,483,517	1,512,585	-	1,170
Dividend income	398,140	93,930	29,286	13,500

(b) Items in statement of financial position

	Subsidiary companies		Associate companies	
As at 31 December	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Assets				
Loans	1,432,003	1,872,673	510,479	595,678
Overdrafts	76,652	191,645	21,841	19,708
Placements	46,939,042	30,326,587	-	-
Other receivables	2,040,285	1,694,655	-	-
	50,487,982	34,085,560	532,320	615,386
Liabilities				
Due to depositors	6,311,029	5,291,872	426,019	227,053
Securities sold under repurchase agreements	559,887	182,830	297,171	516,737
Debentures	254,459	258,768	-	-
Other liabilities	270,465	13,179	-	-
	7,395,840	5,746,649	723,190	743,790

(c) Off balance sheet items

	Subsidiary companies		Associate companies	
As at 31 December	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Guarantees	130,600	108,880	-	-
Letters of credit	-	489	-	-
Undrawn facilities	163,369	166,050	100,000	30,000
	293,969	275,419	100,000	30,000

(d) Average accommodations / due to depositors balances

	Subsidiary companies		Associate companies	
As at 31 December	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Loans	1,652,338	1,252,560	553,078	488,625
Overdrafts	134,149	194,282	20,775	52,605
Due to depositors	5,801,450	4,865,466	326,536	231,245

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	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Interest income	1,898,640	909,797	115,713	119,006
Interest expenses	1,423,496	503,697	44,655	87,323
Other income	178,654	251,354	-	16,829
Other expenses	1,635,838	1,661,151	-	1,170

(b) Items in statement of financial position

	Subsidiary companies		Associate companies	
As at 31 December	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Assets				
Loans	1,659,480	2,053,064	510,479	595,678
Overdrafts	76,652	191,645	21,841	19,708
Placements	46,939,042	30,326,587	-	-
Other receivables	2,041,968	1,750,737	-	-
	50,717,142	34,322,033	532,320	615,386
Liabilities				
Due to depositors	6,505,716	5,291,872	426,019	227,053
Securities sold under repurchase agreements	559,887	182,830	297,171	516,737
Debentures	264,650	258,768	-	-
Other liabilities	271,495	249,652	-	-
	7,601,748	5,983,122	723,190	743,790

(c) Off balance sheet items

	Subsidiary companies		Associate companies	
As at 31 December	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Guarantees	130,600	108,880	-	-
Letters of credit	-	489	-	-
Undrawn facilities	163,369	166,050	100,000	30,000
	293,969	275,419	100,000	30,000

(d) Average accommodations / due to depositors balances

	Subsidiary companies		Associate companies	
As at 31 December	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Loans	1,856,272	1,458,957	368,766	488,625
Overdrafts	134,149	194,282	269,289	52,605
Due to depositors	5,898,794	4,895,629	326,536	231,245

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	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Interest income	330,882,356	319,063,455	-	-
Other income	1,921,419	277,852	-	-
Interest expenses	106,850,702	66,885,196	17,600,024	9,989,149
Dividends paid	173,205	346,410	-	-
Contribution made	-	-	2,849,897	2,815,191

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(b) Items in statement of financial position

	Significant investor		Post employment benefit plans	
As at 31 December	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Assets				
Loans and advances	864,638,635	1,062,191,022	-	-
Investment in securities and bonds	1,734,689,360	1,567,495,084	-	-
Investment in equity instruments	202,038	303,126	-	-
	2,599,530,033	2,629,989,232	-	-
Liabilities				
Due to depositors	904,339,560	437,961,856	109,015,259	94,737,605
Securities sold under repurchase agreements	69,571,909	171,015,765	-	1,001,732
Debentures	43,463,514	37,612,087	5,169,439	13,731,239
	1,017,374,983	646,589,708	114,184,698	109,470,576

(c) Off balance sheet items

	Significant investor	
As at 31 December	2023	2022
	LKR '000	LKR '000
Letters of credit	124,904,415	116,007,596
Bills and acceptances	660,539	7,941,501
Guarantees	7,189,522	5,239,135
Forward exchange contracts and currency swaps	155,122,950	46,285,145
	287,877,426	175,473,377

(d) Other transactions

	Significant Investor	
For the year ended 31 December	2023	2022
	LKR '000	LKR '000
Gross foreign exchange transactions		
Sales	454,526,076	770,090,819
Purchases	191,168,876	544,199,426

(e) Average accommodations / Due to depositors balances

	Significant investor		Post employment benefit plans	
As at 31 December	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Loans and advances	432,319,318	1,125,832,324	-	-
Due to depositors	671,150,708	481,371,062	101,876,432	86,863,396
Off balance sheet facilities	100,704,048	189,132,490	-	-

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 268,537 million (2022 - LKR 779,009 million) and Comfort Letters of LKR 32,392 million (2022 - LKR 52,676 million) as of 31.12.2023 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	
As at 31 December	2023 LKR '000	2022 LKR '000
Investment in securities and bonds	13,541,640	6,360,146
Nostro balance with Central Bank of Sri Lanka	41,400	43,882
Income from investments in securities and bonds	1,889,067	735,849

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 2023 on comparable terms, which are applicable to transactions between the Group and its unrelated customers.

NOTES TO THE FINANCIAL STATEMENTS

62 Financial reporting by segment

Accounting policy

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 unallocated 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	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Revenue from external customers				
Net interest income	29,611,599	34,752,005	25,065,547	70,584,955
Net fee and commission income	14,566,383	11,549,471	3,481,833	3,907,387
Other income	343,271	2,238,543	(905,468)	5,345,531
Total operating income	44,521,253	48,540,019	27,641,912	79,837,873
Impairment (charge)/reversal for loans and other losses	633,347	(10,971,334)	1,190,236	(56,451,115)
Other operating expenses	(38,171,955)	(34,352,551)	(4,548,108)	(4,788,243)
Total expenses	(37,538,608)	(45,323,885)	(3,357,872)	(61,239,358)
Operating profit before taxes on financial services	6,982,645	3,216,134	24,284,040	18,598,515
Taxes on financial services	-	-	-	-
Operating profit after taxes on financial services	6,982,645	3,216,134	24,284,040	18,598,515
Share of profit/(loss) of associate companies, net of tax	-	-	-	-
Profit/ (loss) before income tax	6,982,645	3,216,134	24,284,040	18,598,515
Income tax expense	-	-	-	-
Profit for the year	-	-	-	-
Total assets	840,145,928	891,862,461	1,064,418,496	1,188,838,332
Total liabilities	792,210,941	839,585,417	1,003,687,514	1,119,153,872
Cash flows from/ (used in) operating activities	26,044,438	59,116,463	16,170,212	97,233,846
Cash flows from/ (used in) investing activities	7,810,827	(2,627,276)	9,895,886	(3,502,116)
Cash flows from/ (used in) financing activities	(16,147,855)	(31,005,103)	(20,458,440)	(41,329,304)
Capital expenditure to non current assets	-	-	-	-
Depreciation and amortisation expenses	733,728	881,670	929,593	1,175,251

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	
2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
36,941,352	21,922,324	4,322,527	3,422,514	(430,913)	(912,906)	95,510,112	129,768,892
(1,081,549)	341,435	343,521	308,706	687,751	553,349	17,997,939	16,660,348
(8,863,255)	26,325,024	1,639,270	478,030	939,859	135,008	(6,846,323)	34,522,136
26,996,548	48,588,783	6,305,318	4,209,250	1,196,697	(224,549)	106,661,728	180,951,376
3,002,967	(19,479,956)	142,389	(139,209)	79,727	(253,291)	5,048,666	(87,294,905)
(8,944,234)	(7,741,813)	(4,758,355)	(3,987,823)	(592,400)	(413,882)	(57,015,052)	(51,284,312)
(5,941,267)	(27,221,769)	(4,615,966)	(4,127,032)	(512,673)	(667,173)	(51,966,386)	(138,579,217)
21,055,281	21,367,014	1,689,352	82,218	684,024	(891,722)	54,695,342	42,372,159
-	-	-	-	-	-	(12,955,824)	(11,442,505)
21,055,281	21,367,014	1,689,352	82,218	684,024	(891,722)	41,739,518	30,929,654
-	-	33,507	122,847	-	-	33,507	122,847
21,055,281	21,367,014	1,722,859	205,065	684,024	(891,722)	41,773,025	31,052,501
-	-	-	-	-	-	(14,155,438)	796,516
-	-	-	-	-	-	27,617,587	31,849,017
2,269,293,594	2,084,601,281	56,011,701	54,308,859	237,890,298	171,157,628	4,467,760,017	4,390,768,561
2,139,817,803	1,962,411,148	35,147,634	35,962,464	224,317,339	161,125,126	4,195,181,231	4,118,238,027
15,792,681	59,175,852	(3,124,890)	9,238,003	700,055	(273,476)	55,582,496	224,490,688
21,097,596	(6,140,882)	264,103	(1,881,901)	2,211,664	(504,201)	41,280,076	(14,656,376)
(43,616,498)	(72,470,005)	(2,231,770)	484,184	(4,572,323)	(5,950,240)	(87,026,886)	(150,270,468)
-	-	-	-	-	-	(3,960,044)	(3,332,076)
1,981,852	2,060,777	376,311	220,469	207,758	169,201	4,229,242	4,507,368

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			
	2023 LKR '000	%	2022 LKR '000	%	2023 LKR '000	%	2022 LKR '000	%
Assets								
Domestic banking operation	4,182,452,546	94.8	4,009,327,266	92.5	4,174,226,921	93.4	4,012,701,218	91.4
Offshore and overseas banking operation	229,295,769	5.2	327,132,438	7.5	293,533,096	6.6	378,067,343	8.6
Total assets	4,411,748,315	100.0	4,336,459,704	100.0	4,467,760,017	100.0	4,390,768,561	100.0
Total income								
Domestic banking operation	494,471,673	91.2	470,626,232	91.7	501,119,950	90.8	477,005,628	91.6
Offshore and overseas banking operation	47,715,624	8.8	42,523,103	8.3	50,746,813	9.2	43,885,536	8.4
Total Income	542,187,297	100.0	513,149,335	100.0	551,866,763	100.0	520,891,164	100.0
Profit Before Tax								
Domestic banking operation	24,844,602	61.6	5,331,171	17.2	25,844,435	61.9	5,461,116	17.6
Offshore and overseas banking operation	15,497,821	38.4	25,645,478	82.8	15,928,590	38.1	25,591,385	82.4
Total profit before tax	40,342,423	100.0	30,976,649	100.0	41,773,025	100.0	31,052,501	100.0
Profit after tax								
Domestic banking operation	15,845,774	59.4	13,365,740	41.8	16,339,066	59.2	13,296,444	41.7
Offshore and overseas banking operation	10,847,752	40.6	18,606,668	58.2	11,278,521	40.8	18,552,573	58.3
Total profit after tax	26,693,526	100.0	31,972,408	100.0	27,617,587	100.0	31,849,017	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 2023	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	-	4,415,152	-	4,415,152	-	4,415,152	-	4,415,152
Currency SWAPs	-	-	16,110,688	16,110,688	-	-	16,110,688	16,110,688
	-	4,415,152	16,110,688	20,525,840	-	4,415,152	16,110,688	20,525,840
Financial assets recognised through profit or loss measured at fair value								
Government securities								
Treasury bills	33,975,090	-	-	33,975,090	33,975,090	-	-	33,975,090
Treasury bonds	69,691	-	-	69,691	7,876,803	-	-	7,876,803
Quoted equities	2,231,452	-	-	2,231,452	2,594,267	-	-	2,594,267
Units in unit trusts	-	4,366,297	-	4,366,297	-	4,384,711	-	4,384,711
	36,276,233	4,366,297	-	40,642,530	44,446,160	4,384,711	-	48,830,871
Financial assets measured at fair value through OCI								
Quoted investments								
Government securities in Sri Lanka								
Treasury bills	27,551,288	-	-	27,551,288	27,551,288	-	-	27,551,288
Treasury bonds	12,020,034	-	-	12,020,034	12,106,493	-	-	12,106,493
Government securities in India	2,866,609	-	-	2,866,609	2,866,609	-	-	2,866,609
Equities	2,949,810	-	-	2,949,810	5,528,440	-	-	5,528,440
Unquoted investments								
Equities	-	3,911,244	235,013	4,146,257	-	3,911,244	235,611	4,146,855
	45,387,741	3,911,244	235,013	49,533,998	48,052,830	3,911,244	235,611	52,199,685
Total financial assets	81,663,974	12,692,693	16,345,701	110,702,368	92,498,990	12,711,107	16,346,299	121,556,396
Non financial assets								
Property, plant and equipment	-	-	36,153,341	36,153,341	-	-	52,478,248	52,478,248
Total non financial assets	-	-	36,153,341	36,153,341	-	-	52,478,248	52,478,248
Total	81,663,974	12,692,693	52,499,042	146,855,709	92,498,990	12,711,107	68,824,547	174,034,644
Financial liabilities								
Derivative financial instruments								
Forward exchange contracts	-	79,062	-	79,062	-	79,062	-	79,062
Currency SWAPs	-	-	2,090,140	2,090,140	-	-	2,090,140	2,090,140
Total financial liabilities	-	79,062	2,090,140	2,169,202	-	79,062	2,090,140	2,169,202

	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 bills	-	-	-	-	-	-	-	-
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	3,601,623	-	-	3,601,623
Unquoted investments								
Equities	-	3,551,279	235,013	3,786,292	-	3,551,279	235,875	3,787,154
	4,904,510	3,551,279	235,013	8,690,802	6,962,890	3,551,279	235,875	10,750,044
Total financial assets	11,160,009	7,578,880	57,387,454	76,126,343	13,512,240	7,641,164	57,388,316	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	13,512,240	7,641,164	101,808,826	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

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 2023	Total gains/ (losses) recorded in profit or loss	Total gains/ (losses) recorded in OCI	Purchases/ (sales) and other adjustments	As at 31 December 2023	As at 1 January 2023	Total gains/ (losses) recorded in profit or loss	Total gains/ (losses) recorded in OCI	Purchases/ (sales and other adjustments	As at 31 December 2023
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial assets										
Derivative financial instruments										
Currency SWAPs	57,152,441	-	-	(41,041,753)	16,110,688	57,152,441	-	-	(41,041,753)	16,110,688
Financial assets measured at fair value through OCI										
Unquoted Investments										
Equities	235,013	-	-	-	235,013	235,875	-	-	(264)	235,611
Total Level 3 financial assets	57,387,454	-	-	(41,041,753)	16,345,701	57,388,316	-	-	(41,042,017)	16,346,299
Non financial assets										
Property, plant and equipment	28,677,691	(629,122)	6,880,746	1,224,026	36,153,341	44,420,510	(1,195,759)	8,635,144	618,353	52,478,248
Total Level 3 assets	86,065,145	(629,122)	6,880,746	(39,817,727)	52,499,042	101,808,826	(1,195,759)	8,635,144	(40,423,664)	68,824,547
Financial liabilities										
Currency SWAPs	335,700	-	-	1,754,440	2,090,140	335,700	-	-	1,754,440	2,090,140
Total Level 3 financial liabilities	335,700	-	-	1,754,440	2,090,140	335,700	-	-	1,754,440	2,090,140
Net Level 3 financial assets	57,051,754	-	-	(42,796,193)	14,255,561	57,052,616	-	-	(42,796,457)	14,256,159

	Bank					Group				
	As at 1 January 2022	Total gains/ (losses) recorded in profit or loss	Total gains/ (losses) recorded in OCI	Purchases/ (sales) and other adjustments	As at 31 December 2022	As at 1 January 2022	Total gains/ (losses) recorded in profit or loss	Total gains/ (losses) recorded in OCI	Purchases/ (sales) and other adjustments	As at 31 December 2022
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	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	-	-	(26,232)	235,875
Total Level 3 financial assets	4,549,986	-	-	52,837,468	57,387,454	4,577,080	-	-	52,811,236	57,388,316
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	1,066,881	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	53,878,117	101,808,826
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	57,052,616

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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 31 December 2023 in measuring financial instruments categorised as level 3 in the fair value hierarchy.

Type of financial instrument	Fair value as at 31 December 2023 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	16,110,688	Forward pricing model	Foreign exchange forward rate.	Negative 100 to positive 100 basis point.	Unfavourable or favourable impact on derivative assets value of LKR 161.1 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 8.1 million, 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

As at 31 December 2023	Bank					Group				
	Fair value				Carrying value	Fair value				Carrying value
	Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Assets										
Financial assets at amortised cost										
Loans and advances	-	-	2,268,559,761	2,268,559,761	2,209,061,924	-	-	2,300,958,799	2,300,958,799	2,240,611,228
Debt and other instruments	1,544,306,801	52,349,359	-	1,596,656,160	1,653,728,403	1,550,209,345	52,349,359	-	1,602,558,704	1,660,012,978
Investment properties	-	-	3,003,007	3,003,007	2,414,640	-	-	653,000	653,000	95,446
Total	1,544,306,801	52,349,359	2,271,562,768	3,868,218,928	3,865,204,967	1,550,209,345	52,349,359	2,301,611,799	3,904,170,503	3,900,719,652
Liabilities										
Financial liabilities at amortised cost										
Due to depositors	-	-	3,935,385,592	3,935,385,592	3,882,232,323	-	-	3,963,108,393	3,963,108,393	3,909,580,686
Other borrowings	-	-	33,666,236	33,666,236	33,666,236	-	-	35,592,741	35,592,741	35,592,741
Debt securities issued	-	-	-	-	-	-	-	730,839	730,839	730,839
Subordinated liabilities	-	8,858,367	52,968,842	61,827,209	64,691,810	-	8,858,367	52,709,250	61,567,617	64,437,320
Total	-	8,858,367	4,022,020,670	4,030,879,037	3,980,590,369	-	8,858,367	4,052,141,223	4,060,999,590	4,010,341,586

As at 31 December 2022	Bank					Group				
	Fair value				Carrying value	Fair value				Carrying value
	Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Assets										
Financial assets at amortised cost										
Loans and advances	-	-	2,170,683,694	2,170,683,694	2,325,594,329	-	-	2,199,043,783	2,199,043,783	2,355,978,333
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	2,431,881,182	3,342,481,888	3,883,906,276	913,414,133	3,089,117	2,458,620,806	3,375,124,056	3,918,456,810
Liabilities										
Financial liabilities at amortised cost										
Due to depositors	-	-	3,294,330,147	3,294,330,147	3,334,774,261	-	-	3,317,470,222	3,317,470,222	3,358,198,424
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	3,732,905,712	3,737,496,367	3,789,021,995	-	4,590,655	3,762,439,042	3,767,029,697	3,818,839,413

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 Sovereign Bonds, Government and Corporate debt securities.

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 Sovereign 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.

	2023		2022	
	Carrying Amount LKR '000	Fair Value LKR '000	Carrying Amount LKR '000	Fair Value LKR '000
Bank				
Financial assets				
Cash and cash equivalents	135,550,505	135,550,505	128,401,532	128,401,532
Balances with Central Banks	34,932,639	34,932,639	70,494,529	70,494,529
Placements with banks	74,966,171	74,966,171	16,459,303	16,459,303
Securities purchased under resale agreements	3,711,918	3,711,918	1,480,403	1,480,403
Total financial assets	249,161,233	249,161,233	216,835,767	216,835,767
Financial liabilities				
Due to banks	3,047,732	3,047,732	11,514,897	11,514,897
Securities sold under repurchase agreements	78,463,070	78,463,070	180,218,543	180,218,543
Total financial liabilities	81,510,802	81,510,802	191,733,440	191,733,440
Group				
Financial assets				
Cash and cash equivalents	137,369,158	137,369,158	135,230,827	135,230,827
Balances with Central Banks	34,932,639	34,932,639	70,494,529	70,494,529
Placements with banks	73,024,979	73,024,979	17,811,665	17,811,665
Securities purchased under resale agreements	3,695,392	3,695,392	1,463,368	1,463,368
Total financial assets	249,022,168	249,022,168	225,000,389	225,000,389
Financial liabilities				
Due to banks	3,162,463	3,162,463	11,547,714	11,547,714
Securities sold under repurchase agreements	77,829,770	77,829,770	179,938,744	179,938,744
Total financial liabilities	80,992,233	80,992,233	191,486,458	191,486,458

63.4 Reclassification of financial assets and financial liabilities

There have been no reclassifications during 2023.

NOTES TO THE FINANCIAL STATEMENTS

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 inherant 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 guidence to identify, assess, measure, monitor and reporting of risk to ensure efficeint 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 Bank's 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 Provisions for impairment (ECL) movement
64.2.5 Country wise exposure
64.2.6 Sector wise 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 consist of nine financial and non financial subsidiaries, directly and indirectly owned by the Bank and four 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 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, liquidty and operational risks which are overseen by the IRMC. Bank closely involves in risk, compliance and audit affairs of subsidiaries by appointing memebrs of senior management of the Bank as members of 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 defence 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 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 comprehensive set of 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 wrose case scenarios which are plausible in an irritated economy.

In addition, the Internal Capital Adequacy Assessment Process (ICAAP) assess Bank's capital requirment 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 2 risks in addition to pillar 1 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 risks. Measurement of environmental and social risk has been integrated into credit evaluation. Collaterals are used to further mitigation and pricing mechanism ensures facilities are priced factoring individual rating and availability of collaterals. Market risk exposures including interest rate, foreign exchange and equity risks are mitigated using derivative instruments in limited context. The Bank addresses the liqudity risk via a robust policy framework, measurement and mitigation approaches including compherensive stress testing. Operational risk is managed through strong internal control mechanism, reinforced by the three lines of defence. Insurance is used as an operational risk transfer strategy where necessary. The most vulnerable risk in the present business enviornment, the IT risk is managed through compherensive 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, deterioration of credit quality 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.

Procedures are also in place to identify the 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 level to assure a quality loan book.

Element of credit quality deterioration is captured via expected credit loss as per SLFRS 9 - "Financial Instruments".

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 - "Financial Instruments" 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 objective evidence/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 & cash equivalents and gold articles
- For Government & 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 2023

	Maximum exposure to credit risk	Cash	Gold
	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	135,613,096	62,633,164	-
Less : Impairment	(62,591)	-	-
Balances with Central Banks	34,932,639	34,932,639	-
Placements with banks	75,010,950	-	-
Less : Impairment	(44,779)	-	-
Securities purchased under resale agreements	3,711,918	-	-
Derivative financial instruments	20,525,840	-	-
Financial assets recognised through profit or loss - measured at fair value	40,642,530	-	-
Financial assets at amortised cost - loans and advances	2,457,771,739	88,788,133	184,760,416
Less : Impairment	(248,709,815)	-	-
Financial assets at amortised cost - debt and other instruments	1,701,957,323	-	-
Less : Impairment	(48,228,920)	-	-
Financial assets measured at fair value through OCI	49,533,998	-	-
Total	4,222,653,928	186,353,936	184,760,416

31 December 2022

	Maximum exposure to credit risk	Cash	Gold
	LKR '000	LKR '000	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	8,690,802	-	-
Total	4,174,453,746	204,982,232	74,899,955

Value of collateral and credit enhancements held						
GoSL Securities / Guarantees	Movables	Immovables	Others	Surplus Collateral	Net Collateral	Net exposure
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
-	-	-	-	-	62,633,164	72,979,932
-	-	-	-	-	-	(62,591)
-	-	-	-	-	34,932,639	-
-	-	-	-	-	-	75,010,950
-	-	-	-	-	-	(44,779)
4,196,000	-	-	-	(484,082)	3,711,918	-
-	-	-	-	-	-	20,525,840
34,044,786	-	-	-	-	34,044,786	6,597,744
678,707,929	53,620,380	323,912,510	75,946,648	(241,505,442)	1,164,230,574	1,293,541,165
-	-	-	-	-	-	(248,709,815)
1,612,480,612	-	-	-	-	1,612,480,612	89,476,711
-	-	-	-	-	-	(48,228,920)
42,437,930	-	-	-	-	42,437,930	7,096,068
2,371,867,257	53,620,380	323,912,510	75,946,648	(241,989,524)	2,954,471,623	1,268,182,305

Value of collateral and credit enhancements held						
GoSL Securities / Guarantees	Movables	Immovables	Others	Surplus Collateral	Net Collateral	Net exposure
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	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

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 2023	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	22				
Provision for impairment (ECL) as at 1 January 2023		24,155	-	-	24,155
Transfer to Stage 1		-	-	-	-
Transfer to Stage 2		-	-	-	-
Transfer to Stage 3		-	-	-	-
Net remeasurement of impairment		-	-	-	-
New assets originated or purchased		62,591	-	-	62,591
Financial assets derecognised or repaid (excluding write-offs)		(24,155)	-	-	(24,155)
Foreign exchange adjustments		-	-	-	-
As at 31 December 2023		62,591	-	-	62,591
Placements with Central Banks and Other Banks	24				
Provision for impairment (ECL) as at 1 January 2023		319,949	-	-	319,949
Transfer to Stage 1		-	-	-	-
Transfer to Stage 2		-	-	-	-
Transfer to Stage 3		-	-	-	-
New remeasurement of impairment		-	-	-	-
New assets originated or purchased		44,779	-	-	44,779
Financial assets derecognised or repaid (excluding write-offs)		(319,949)	-	-	(319,949)
Foreign exchange adjustments		-	-	-	-
As at 31 December 2023		44,779	-	-	44,779
Financial assets at amortised cost - Loans and advances to other customers	28				
Provision for impairment (ECL) as at 1 January 2023		39,710,949	25,419,553	194,054,136	259,184,638
Transfer to Stage 1		1,969,297	(1,294,073)	(675,224)	-
Transfer to Stage 2		(1,742,042)	2,134,331	(392,289)	-
Transfer to Stage 3		(116,919)	(838,089)	955,008	-
Net remeasurement of impairment		(11,591,275)	3,980,308	9,091,829	1,480,861
New assets originated or purchased		3,810,285	2,281,108	4,403,663	10,495,057
Write-offs and recoveries		-	-	(86,065)	(86,065)
Foreign exchange adjustments		(627,821)	(2,865,342)	(4,317,816)	(7,810,979)
Interest accrued on impaired loans and advances		-	-	(14,639,762)	(14,639,762)
Other movements		-	-	86,065	86,065
As at 31 December 2023		31,412,474	28,817,796	188,479,545	248,709,815
Financial assets at amortised cost - Debt and other financial instruments	29				
Provision for impairment (ECL) as at 1 January 2023		323,914	53,461,827	28,314	53,814,055
Transfer to Stage 1		-	-	-	-
Transfer to Stage 2		-	-	-	-
Transfer to Stage 3		-	-	-	-
Net remeasurement of impairment		2,370	10,341,661	-	10,344,031
New assets originated or purchased		-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)		(323,237)	(12,026,493)	-	(12,349,730)
Foreign exchange adjustments		-	(3,579,436)	-	(3,579,436)
As at 31 December 2023		3,047	48,197,559	28,314	48,228,920

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	22				
Provision for impairment (ECL) as at 1 January 2022		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	28				
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)	1,137,317	212,037
As at 31 December 2022		39,710,949	25,419,553	194,054,137	259,184,639
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

NOTES TO THE FINANCIAL STATEMENTS

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 concentraion risk the Bank uses the Herfindahl-Harischman 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 2023	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	60,284,723	30,595,998	2,147,081	6,859,819	13,973,358	91,743	21,597,783	135,550,505
Balances with Central Banks	25,082,652	-	8,712,214	469,290	-	668,483	-	34,932,639
Placements with banks	2,381,597	40,805,172	-	6,494,836	-	-	25,284,566	74,966,171
Securities purchased under resale agreements	3,711,918	-	-	-	-	-	-	3,711,918
Derivative financial instruments	20,525,840	-	-	-	-	-	-	20,525,840
Financial assets recognised through profit or loss measured at fair value	40,642,530	-	-	-	-	-	-	40,642,530
Financial assets at amortised cost - loans and advances	2,126,340,541	-	65,666,804	14,311,820	-	2,742,759	-	2,209,061,924
Financial assets at amortised cost - debt and other instruments	1,614,976,373	-	38,752,030	-	-	-	-	1,653,728,403
Financial assets measured at fair value through OCI	46,667,389	-	-	2,866,609	-	-	-	49,533,998
Total financial assets	3,940,613,563	71,401,170	115,278,129	31,002,374	13,973,358	3,502,985	46,882,349	4,222,653,928
Liabilities								
Due to banks	2,144,957	-	-	902,775	-	-	-	3,047,732
Securities sold under repurchase agreements	78,463,070	-	-	-	-	-	-	78,463,070
Derivative financial instruments	2,169,202	-	-	-	-	-	-	2,169,202
Financial liabilities at amortised cost - due to depositors	3,793,794,162	-	72,713,120	10,842,633	-	4,882,408	-	3,882,232,323
Financial liabilities at amortised cost - other borrowings	7,676,862	-	-	-	-	-	25,989,374	33,666,236
Subordinated liabilities	64,691,810	-	-	-	-	-	-	64,691,810
Total financial liabilities	3,948,940,063	-	72,713,120	11,745,408	-	4,882,408	25,989,374	4,064,270,373

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	63,270,481	-	5,932,746	638,905	-	652,397	-	70,494,529
Placements with banks	374,276	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	5,656,098	-	-	3,034,704	-	-	-	8,690,802
Total financial assets	3,949,135,833	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	189,126	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 liabilities	63,758,191	-	-	-	-	-	-	63,758,191
Total financial liabilities	3,783,435,973	1,493,406	86,213,418	14,240,264	8,289,350	3,973,480	84,030,577	3,981,676,468

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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 2023	Agriculture and fisheries	Banking finance and insurance	Hotels travels and services
	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	-	135,613,096	-
Less : Impairment	-	-	-
Balances with Central Banks	-	25,082,652	-
Placements with banks	-	75,010,950	-
Less : Impairment	-	-	-
Securities purchased under resale agreements	-	3,711,918	-
Derivative financial instruments	-	20,525,840	-
Financial assets recognised through profit or loss/ Held for trading - measured at fair value	328,790	56,791	374,801
Financial assets at amortised cost - loans and advances	232,974,575	29,846,791	143,495,238
Less : Impairment	-	-	-
Financial assets at amortised cost - debt and other instruments	12,438	1,378,399	-
Less : Impairment	-	-	-
Financial assets measured at fair value through OCI	-	3,112,110	-
Total financial assets	233,315,803	294,338,547	143,870,039

31 December 2022	Agriculture and fisheries	Banking finance and insurance	Hotels travels and services
	LKR '000	LKR '000	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

Housing, construction and infrastructure	Manu-facturing	Commercial trade	Sovereign and direct government	Transportation and logistics	Other commercial services	Consumption and others	Total
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
-	-	-	-	-	-	-	135,613,096
-	-	-	-	-	-	-	(62,591)
-	-	-	-	-	9,849,987	-	34,932,639
-	-	-	-	-	-	-	75,010,950
-	-	-	-	-	-	-	(44,779)
-	-	-	-	-	-	-	3,711,918
-	-	-	-	-	-	-	20,525,840
219,266	961,919	14,367	34,044,786	87,719	83,406	4,470,685	40,642,530
498,658,607	158,674,002	726,191,065	45,680,773	88,945,112	94,756,303	438,549,272	2,457,771,739
-	-	-	-	-	-	-	(248,709,815)
-	-	741,199	1,699,825,287	-	-	-	1,701,957,323
-	-	-	-	-	-	-	(48,228,920)
-	-	-	42,437,930	-	3,983,958	-	49,533,998
498,877,873	159,635,921	726,946,631	1,821,988,776	89,032,831	108,673,654	443,019,957	4,222,653,927

Housing, construction and infrastructure	Manu-facturing	Commercial trade	Sovereign and direct government	Transportation and logistics	Other commercial services	Consumption and others	Total
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	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	4,068,706	10,280,055
560,794,607	164,211,886	740,998,278	131,865,400	95,757,779	15,858,272	495,047,305	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

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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	2023	2022
	LKR '000	LKR '000
Acceptances and documentary credit	168,992,212	157,948,135
Bills for collection	58,195,110	64,815,618
Forward exchange contracts	393,201,966	199,453,327
Guarantees	164,216,780	167,974,583
Other commitments	131,208,997	56,983,452
	915,815,065	647,175,115

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 9 and CBSL Directions, the Bank considered the impacted industries from the continued adverse economic conditions since the pandemic. Accordingly the management overlays were applied for tourism, construction and textile export 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, Bank continued to make additional provision for credit facilities which are converted to new loans under various moratorium and concession schemes considering the potential risk.

In order to capture the prevailing economic conditions into Economic Factor Adjustment (EFA) to incorporate the expected credit loss in determining the impairment for collectively assessed portfolios, on a prudent basis the Bank continued to use increased the weightages applied for the expected economic scenarios as follows;

Economic Scenario	Weightages 2023 %
Best	10
Base	20
Worst	70

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 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 deposit base while monitoring and managing future commitments daily basis to ensure effective liquidity management. The Central Bank's (CBSL) repo window is one of the main sources of funding during the liquidity stress situation. The Bank's risk management framework plays vital role to monitor that payment obligations of the Bank are made in a timely and efficient manner. In addition, liqudity risk management framework includes compliance with the regulatory requirements, optimum usage of liquid assets for higher returns and funding business expansion. The Bank maintains liqudity ratios well within the limits specified by the regulator to ensure healthy liquidity position.

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 manages to get an optimum return while maintaing 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 its management at any circumstances.

	Total Bank		Off shore Banking Division	
	2023 (%)	2022 (%)	2023 (%)	2022 (%)
31 December	45.12	21.22	54.20	32.79
Average for the year	35.99	23.37	48.15	27.64
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 amount 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	2023	2022
	LKR '000	LKR '000
Financial assets		
Non-derivative financial assets		
Financial assets measured at fair value through profit or loss	4,435,342	4,483,675
Financial assets measured at amortised cost - loans and advances	1,185,512,161	1,246,524,775
Financial assets measured at amortised cost - debt instruments	987,694,007	1,111,684,272
Financial assets measured at fair value through OCI	18,996,459	6,322,150
Total non-derivative financial assets	2,196,637,969	2,369,014,872
Financial liabilities		
Non-derivative financial liabilities		
Financial liabilities at amortised cost - due to depositors	253,050,308	248,014,772
Financial liabilities at amortised cost - other borrowings	25,989,374	58,196,922
Subordinated liabilities	55,049,327	53,372,602
Total non-derivative financial liabilities	334,089,009	359,584,296

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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 2023.

31 December 2023	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Due to banks	3,047,732		-	-	-	3,047,732
Securities Sold Under Repurchase Agreements	-	74,593,102	4,449,127	-	-	79,042,229
Derivative financial instruments	-	2,169,202	-	-	-	2,169,202
Financial liabilities at amortised cost - due to depositors	778,990,277	1,571,774,683	829,013,746	103,630,782	684,528,079	3,967,937,567
Financial liabilities at amortised cost - other borrowings	-	7,676,861	-	26,725,999	-	34,402,860
Subordinated debentures	-	-	10,244,531	41,896,390	36,589,092	88,730,013
Total	782,038,009	1,656,213,848	843,707,404	172,253,171	721,117,171	4,175,329,603

31 December 2022	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	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	3,433,573,389
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	4,109,618,717

64.4 Market Risk

Market risk is the risk of loss arrising due to unfavourable 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) risks. 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. In addition to the Net Open Position (NOP) limit of managing foreign exchange risk and holding period limit to manage the equity risk. 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 2023	Note	Carrying amount	Market risk measurement	
			Trading portfolios	Non-trading portfolios
		LKR '000	LKR '000	LKR '000
Assets subject to market risk				
Cash and cash equivalents	22	135,550,505	-	135,550,505
Balances with Central Banks	23	34,932,639	-	34,932,639
Placements with banks	24	74,966,171	-	74,966,171
Securities purchased under resale agreements	25	3,711,918	-	3,711,918
Derivative financial instruments	26	20,525,840	20,525,840	-
Financial assets recognised through profit or loss				
- measured at fair value	27	40,642,530	40,642,530	-
Financial assets at amortised cost				
- loans and advances	28	2,209,061,924	-	2,209,061,924
- debt and other instruments	29	1,653,728,403	-	1,653,728,403
Financial assets measured at fair value through OCI	30	49,533,998	-	49,533,998
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	42,564,498	-	42,564,498
Right of Use Assets/ Leasehold properties	35	3,508,618	-	3,508,618
Intangible assets	36	1,554,875	-	1,554,875
Deferred tax assets	37	18,503,397	-	18,503,397
Other assets	38	112,274,233	-	112,274,233
Total assets		4,411,748,315	61,168,370	4,350,579,945
Liabilities subject to market risk				
Due to banks	39	3,047,732	-	3,047,732
Securities sold under repurchase agreements	40	78,463,070	-	78,463,070
Derivative financial instruments	41	2,169,202	2,169,202	-
Financial liabilities at amortised cost				
- due to depositors	42	3,882,232,323	-	3,882,232,323
- other borrowings	43	33,666,236	-	33,666,236
Current tax liabilities	45	7,621,675	-	7,621,675
Other liabilities	47	88,141,547	-	88,141,547
Subordinated liabilities	49	64,691,810	-	64,691,810
Total liabilities		4,160,033,595	2,169,202	4,157,864,393

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As at 31 December 2022	Note	Carrying amount	Market risk measurement	
			Trading portfolios	Non-trading portfolios
		LKR '000	LKR '000	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
Current tax liabilities	45	6,523,443	-	6,523,443
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

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. Interest rate risk affects to the Bank's earnings and impacts negatively on Net Interest Income (NII) of the Bank. Continous 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.

	2023 LKR	2022 LKR	Risk appetite
PVBP			
Investment in T-Bills	32,444	3,088	900,000
Investment in T-Bonds	577,985	75,767	2,100,000

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.

2023	Upto 1 Month (%)	1-3 Months (%)	3-6 Months (%)	6-12 Month (%)	1-2 Years (%)	2-3 Years (%)	3-4 Years (%)	4-5 Years (%)	Over 5 Years (%)
Rate sensitive assets	9.7	14.9	12.6	12.1	6.2	6.2	5.9	5.9	26.6
Rate sensitive liabilities	10.2	13.9	14.7	14.2	5.1	5.1	5.4	5.4	26.0
GAP	(0.5)	1.0	(2.1)	(2.1)	1.1	1.1	0.5	0.5	0.7

2022	Upto 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)

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 open positions during the year which is within the limits approved by the Central Bank of Sri Lanka. A comprehensive Limit Management Framework (LMF) including individual exposures and aggregated exposures prescribed by the IRMC govern the foreign exchange risk. Stress testing analysis carried out on foreign exchange transactions to assess the impact to profit and Capital Adequacy Ratio (CAR) during stress situations.

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Foreign Exchange Position as at 31 December	2023		2022	
	Net Overall Long LKR '000	Net Overall Short LKR '000	Net Overall Long LKR '000	Net Overall Short LKR '000
Currency				
United States Dollar	6,195,839	-	1,220,240	-
Great Britain Pound	12,550	-	29,415	-
Euro	-	(54,227)	340,914	-
Japanese Yen	1,061,958	-	-	(819)
Australian Dollar	4,261	-	2,279	-
Canadian Dollar	-	(21,098)	1,203	-
Swiss Franc	-	-	896	-
Singapore Dollar	1,399	-	14,808	-
Hong Kong Dollar	174,491	-	6,905	-
Sub Total	7,450,498	(75,325)	1,616,660	(819)
Other Currencies	7,958,248	(116,391)	13,220,700	(1,795,396)
Grand Total	15,408,746	(191,716)	14,837,360	(1,796,215)
Higher of Long or Short		15,408,746		14,837,360

Impact on Income Statement due to Exchange Rate Shocks

	2023		2022	
	Net Open Position (After Rate Shocks) LKR '000	Impact on Income Statement as at 31st December 2023 LKR '000	Net Open Position (After Rate Shocks) LKR '000	Impact on Income Statement as at 31st December 2022 LKR '000
Exchange Rate Shocks				
5%	14,638,308	(770,437)	14,095,492	(741,868)
10%	13,867,871	(1,540,875)	13,353,624	(1,483,736)
-5%	16,179,183	770,437	15,579,228	741,868
-10%	16,949,620	1,540,875	16,321,096	1,483,736

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.

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 alternative 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 Adeqacy 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 2 risks in ICAAP and carries out comprehensive stress testing using multiple scenarios to determine the total capital reqirement. 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 diversifed portfolio which is not excessively exposed to any counterpary, product, sector or a geographical segment.

Capital levels	2023 LKR '000	2022 LKR '000
Capital charge for credit risk weighed assets	219,933,107	216,511,528
Capital charge for market risk weighed assets	2,857,769	2,763,445
Capital charge for operational risk weighed assets	21,570,870	21,422,430
Tier I capital (Regulatory minimum - 10%)	12.76	12.41
Total capital (Regulatory minimum - 14%)	15.84	15.38

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COMPLIANCE ANNEXES

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COMPLIANCE WITH CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2023 ISSUED BY CA SRI LANKA

Sections referred to in the Code	Compliance status
A	**DIRECTORS**
A.1	**The Board**
Principle A.1	The Board of Bank of Ceylon is comprised of six (06) Non Executive Directors with the appointment of three (03) new directors during the 1st quarter of the year 2024 in terms of the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. Five (05) of them are Independent Directors. The Treasury Representative is considered a Non Independent Non Executive Ex officio Director. The Directors bring diverse perspectives, expertise and experience 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 comes under as per the said Ordinance. 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. The composition of the Board in 2023 and as at this Annual Report date is given on page 113 of this Annual Report. 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 twenty two (22) times and attendance at meetings is summarised on page 116. The information listed under this section is discussed at the relevant subcommittees and the Board.
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 2023 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. 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 2023.
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. The role of Company Secretary is given in on page 115.
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. Members of the Corporate Management and external experts make presentations to the Board to provide updates, seek approval or guidance on various matters relevant to the Bank's strategic direction, operations, financial performance, risk management and other key areas.
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 2023 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 attended one training programme during the year. However, the Management made presentations where necessary, to update the Board on the activities of the Bank.
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, 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 and knowledge to offer guidance on matters of finance**
	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 Chairman is an Independent Non Executive Director. The Board of Bank of Ceylon is always comprised of Non-Executive Directors. Among them, five (05) are independent other than the Treasury Representative. A declaration of independence to ascertain the independence/non independence in line with the requirements of the applicable regulations of this Code would be obtained in 2024.
	When Alternate Directors are appointed, it is ensured that they are Non-Executive.
A.6	**Provision of appropriate and 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: Nomination and Corporate Governance Committee**
7.1	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
7.2	The Nomination and Corporate Governance Committee comprised of three (03) Non Executive Directors in 2023 and among them two (02) are independent including the Chairman. On being proposed to the Board, their fit and proper is being assessed by the members of the Committee in terms of Direction no. 3(6) (iv) (d) of the Banking Act Direction No. 11 of 2007 issued by the Central Bank of Sri Lanka.
7.3	The Bank has a Succession Plan for the Corporate Management which has been revised during the year. The Committee discussed in detail formulation of a new Promotion Policy for the position of the General Manager/ Chief Executive Officer of Bank of Ceylon which was approved in 2024.
7.4	Appointments to the Board are made by the shareholder as stated in A.7 above. The information pertaining to the new Directors are published in the website of the Bank, media and announced to the Colombo Stock.
7.5	Report on the Nomination and Corporate Governance Committee indicates the activities performed by the Committee given on pages 128 and 129.
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. Mr R M Priyantha Rathnayake, Non Independent Non-Executive Ex-officio Director was re-appointed w.e.f. 29.04.2023 upon the end of his term of three (03) years. **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. Please refer details on appointments/reappointment and resignations of Directors given on Page no 115.
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 28 to 31. Directors' Interest in contracts with the Bank on page 155. Remuneration paid to Directors in Note 17 to the Financial Statements on page 200. Related party information indicated on pages 312 to 319 Directorships in other companies indicated on page 155. Membership of subcommittees and the number of Board and subcommittee meetings attended during the year are indicated on page 116.
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 Strategic 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) which was reviewed and revised in 2023. The above policy is formulated based on the circulars issued by the Government, the shareholder, from time to time and other applicable legislation. No Director is involved in deciding his/her remuneration.

COMPLIANCE WITH CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2023 ISSUED BY CA SRI LANKA

Sections referred to in the Code	Compliance status
B.2	**Human Resource and Remuneration Committee** The remuneration of Directors is decided 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** Details of remuneration paid to the Board as a whole is indicated on page 200. The composition of the Human Resources and Remuneration Committee appears on page 126. The Compensation to KMP on page 313.
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.
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. The Communication Policy in place guides the Bank on effective communication with internal and external stakeholders and was reviewed during the year under review.
C.3	There were no transactions that were entered into by the Directors 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 312 to 319.
D	**Accountability and audit**
D.1	Present a balanced and understandable assessment of the company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects 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 150 and 154. Directors' Statement on Internal Control over Financial Reporting on pages 156 and 157 Management Discussion and Analysis under Financial Review pages 68 and 72. Report on Related Party Transactions of the Key Management Personnel and their Close Family Members appearing on pages 312 and 319. Statement of Directors' Responsibility for Financial Reporting on page 159. Report of the Auditor General on pages 160 to 164. Management Discussion and Analysis under Financial Review on pages 68 to 72.
D.2	Process of risk management and a sound system of internal control to safeguard shareholders' investments and the company's assets.

Sections referred to in the Code	Compliance status
	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. There is a Risk Management framework to identify, assess, monitor and manage risks with clear delegation of responsibilities to ensure its effectiveness in supporting achievements of the strategic, operational and financial objectives of the Bank. 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.
Section 3(6) of the Banking 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 122 and 123 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 122 and 123 of this Annual Report.
D.4	**Integrated Risk Management Committee (IRMC)** IRMC oversee the risk culture, risk appetite, risk identification and classification, rating and management of risk. The Committee composition and the activties carried out during the year indicated in pages 125 and 126.
D.5	**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 312 to 319 of this Annual Report.
D.6	**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. These policies were reviewed during the year.
D.7	**Corporate Governance disclosures** The Corporate Governance Report which is appearing on pages 111 to 121 discloses the extent of compliance with the provisions of the Code of Best Practice on Corporate Governance.
F	**Shareholder**
F.1 and F.2	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.

COMPLIANCE WITH CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2023 ISSUED BY CA SRI LANKA

Sections referred to in the Code	Compliance status
	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 pages 132 to 148. 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	Sustainability: ESG Risk and Opportunities ESG related disclosures appear in pages 61 to 63 of this Annual Report.
I	**Establishment and Maintenance of Policies**
I.1 & 1.2	Policies relating to following areas are in place other than (b) (i) and (j) which will be complied in 2024: (a) Matters relating to the board of directors (b) Board committees (c) Corporate governance, nominations, and re- election (d) Remuneration (e) Internal code of business conduct and ethics for all directors and employees, including policies on trading in the entity's listed securities (f) Risk management and internal controls (g) Relations with shareholders and investors (h) Environmental, social and governance sustainability (i) Control and management of company assets and shareholder investments (j) Corporate disclosures (k) Whistleblowing (l) Anti-bribery and corruption

COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of compliance during the year 2023
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 Strategic 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 launching of the Strategic Plan was held at an offsite location. The Board approved a new Strategic Plan for 2024 to 2028 and the Budget for 2024 is 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 Strategic Plan generally prepared for a period of three years but in the year 2024 it is prepared for five 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 132 to 148. • Integrated Risk Management Committee Report on pages 124 and 125.
	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.

COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of compliance during the year 2023
	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 Strategic 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: (i) The selection, nomination and election of Directors and key Management Personnel (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. The areas that need improvements have been identified and are being followed up. 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.
	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 Strategic 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. The Board members 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 and they attend any meetings/training sessions/workshops/seminars arranged by the regulators. 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.
	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.

Section	Principle	Level of compliance during the year 2023
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 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 K E D Sumanasiri. A newly formulated Promotion Policy for selection for the position of the General Manager of the Bank is in place.
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 two (22) 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 2023, fifteen (15) 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 116. 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.
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 is responsible to the Board for follow-up of Board procedures, compliance with rules and regulations, directions and statutes.

COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of compliance during the year 2023
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 the 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: a. A summery of data and information used by the Board in its deliberations; 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 other than where Mr R M Priyantha Rathnayake, Ex-officio Director, who represents the Ministry of Finance expressed the concern of the Auditor General regarding the balances in the Deputy Secretary to Treasury Account maintained at Bank of Ceylon. 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.
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 2023. Monthly Financial Statements submitted to the Board assures the Board of the Bank's solvency.

Section	Principle	Level of compliance during the year 2023
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 2023 is given under Direction No. 3 (2) (viii) of this compliance report. Details of the Board are included in page 112 of the Annual Report. Amendments proposed to the Bank of Ceylon Ordinance which include increasing the number of Directors to accommodate the requirement of this Direction is in the approval process.
3 (2) (ii)	(A) 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 01 January 2008.	Complied with. Directors of Bank of Ceylon have been in office for a period less than nine years. Details of their appointments/ cessations/ resignations are included in the Annual Report on page 115.
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 01 January 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 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. (Except for 04 days from 13 to 17 January) 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.

COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of compliance during the year 2023
	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 dependent 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 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 28 to 31 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 01 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 2023 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 Ronald C Perera PC** Chairman/Independent Non Executive Director (Appointed w.e.f. 18.01.2023 and resigned w.e.f. 13.03.2024) **Mr Kavan Ratnayaka** Chairman/ Independent Non-Executive Director (Appointed w.e.f. 14 March 2024) **Mr R M Priyantha Rathnayake** Non Independent Non-Executive Ex officio Director (Appointed w.e.f. 28 April 2020 and again was Re-appointed w.e.f. 29.04.2023). **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)

Section	Principle	Level of compliance during the year 2023
		Major General (Rtd.) G A Chandrasiri VSV Independent Non-Executive Director (Appointed w.e.f. 08 January 2021 and ceased to be a Director w.e.f. 07 January 2024) **Prof. Kithsiri M Liyanage** Independent Non-Executive Director (Appointed w.e.f. 31 March 2023) **Mr Naresh Abeyesekera** Independent Non-Executive Director (Appointed w.e.f. 04 May 2023) **Mr Jehaan Ismail** Independent Non-Executive Director (Appointed w.e.f. 07 February 2024) **Mr Jayamin Palpola** Independent Non-Executive Director (Appointed w.e.f. 22 February 2024)
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, Securities and Exchange Commission 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) 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. a. In this context, the following general exemption shall apply: A Director who has reached the age of 70 years as at 01 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 01 January 2009.	Complied with. None of the Directors of the Bank are over 70 years of age.

COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of compliance during the year 2023
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. A declaration is obtained in this regard upon their appointment to the Board of Bank of Ceylon and at the year end.
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.
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.

Section	Principle	Level of compliance during the year 2023
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 under the authority delegated by the Chairman based on the memoranda submitted through the General Manager. 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 a needs basis at the Bank's expense. There is a policy in place in this regard.
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.
3 (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 under review. 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.

COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of compliance during the year 2023
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 issuedto Auditors from time to time;	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.
	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.	
	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:	This does not arise since the Auditor General is the Auditor of the Bank. However, the Committee ensures that provision by an audit firm 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.
	(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.	
	f. The Committee shall, before the audit commences, discuss and finalise with the External Auditors the nature and scope of the audit, including:	Complied with. The scope and the extent of audit have been determined by the Auditor General and Messrs Ernst & Young, Chartered Accountants (EY) who assisted the Auditor General in the audit of year 2023.

Section	Principle	Level of compliance during the year 2023
	(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;	EY presented the Audit Plan for year 2023 and the Committee agreed with it.
	(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.
	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. Two "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 2023. Performance evaluation of senior staff members were carried out according to the Board approved evaluation process by the Chief Internal Auditor for the year 2023 and was submitted to the Committee for its endorsement.
	(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.

COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of compliance during the year 2023
	(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 to meet on the necessity. As indicated under "h" above, two closed door meetings were held during the year with the representative of the Auditor General without the presence of the Executives.
	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 ten (10) 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 122 to 123. The attendance details of the Committee are disclosed in the Annual Report on page 116.
	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.

Section	Principle	Level of compliance during the year 2023
	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 Blower Policy which covers these aspects is in place which was reviewed during the year 2023 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 2023. 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. The Committee has met two (02) times during the year under review.
	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 Strategic Plan of the Bank. The General Manager is responsible for the implementation of the Strategic Plan through KMPs. 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 2023. Goals and targets for the Executive Management were set based on the Strategic Plan of the Bank by the respective Deputy General Managers with the concent of the General Manager. Directors are Non-Executive Directors and as such specific goals are not set for them. The Board monitors and drives the Strategic Plan of the Bank.
	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 is 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. Evaluation of the members of the Executive Management were carried out by the respective members of the Corporate Management.
	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 2023. The Committee has met ten (10) times during the year under review.
	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 are Board approved policies for the appointment of the General Manager and KMP.

COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of compliance during the year 2023
	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. 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/lateral movements are made or appointed as KMP.
	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. This task is carried out every year. Year 2022 review was done in 2023 and the year 2023 review will be carried out at the meeting scheduled in April 2024.
	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.

Section	Principle	Level of compliance during the year 2023
	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 six (06) times. Details of meetings and attendance are given on page 116.
	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.

COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of compliance during the year 2023
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;	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.
	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.	
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.
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.	Complied with.

Section	Principle	Level of compliance during the year 2023
	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.	
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 2023.
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	Complied with.
	b. Such statements are published in the newspapers in an abridged form, in Sinhala, Tamil, and English.	
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 150 to 154 and "Directors' Responsibility for Financial Reporting" on page 159.
	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 156 and 157 of this Annual Report and "Directors' Responsibility for Financial Reporting" on page 159.
	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 158 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 28 to 31 Directors' Interest in Contracts with the Bank are given on page 155. Remuneration paid by the Bank are given in Note 17 to the Financial Statements on page 200.

COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

<table>
<tr><th>Section</th><th>Principle</th><th>Level of compliance during the year 2023</th></tr>
<tr><td></td><td>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.</td><td>Complied with.
"Total net accommodation" granted to each category of related parties during the year 2023 as a percentage of the Bank's regulatory capital is given below:
Complied with.
<table>
<tr><th></th><th>LKR '000</th><th>Percentage
%</th></tr>
<tr><td>Key Management Personnel (KMP)</td><td>808,033</td><td>0.29</td></tr>
<tr><td>Subsidiaries</td><td>1,761,103</td><td>0.64</td></tr>
<tr><td>Associates</td><td>618,540</td><td>0.22</td></tr>
<tr><td>Government and Government– related entities (Refer definition in Note 61 of Financial Statements)</td><td>2,555,864,482</td><td>924.66</td></tr>
</table></td></tr>
<tr><td></td><td>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.</td><td>Complied with.
The aggregate amount of remuneration paid by the Bank and transactions with KMP for the year 2023 are stated below:
<table>
<tr><th></th><th>LKR '000</th></tr>
<tr><td>Short-term employment benefits</td><td>934,076</td></tr>
<tr><td>Post-employment benefits</td><td>156,313</td></tr>
</table>
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.
<table>
<tr><th></th><th>LKR '000</th></tr>
<tr><td>Loans</td><td>658,976</td></tr>
<tr><td>Overdrafts</td><td>3,099</td></tr>
<tr><td>Credit cards</td><td>27,863</td></tr>
<tr><td>Due to customers Deposits</td><td>1,475,673</td></tr>
<tr><td>Debentures</td><td>-</td></tr>
<tr><td>Undrawn facilities</td><td>135,847</td></tr>
</table></td></tr>
<tr><td></td><td>g. A confirmation by the Board of Directors in its Annual Corporate Governance Report that all the findings of the "Factual Findings 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.</td><td>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.</td></tr>
<tr><td></td><td>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.</td><td>Complied with.
Indicate in the Annual Report of the Directors on the state of affairs of the Bank on pages 150 to 154.</td></tr>
<tr><td></td><td>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.</td><td>Complied with.
Report on Corporate Governance indicates the instances of non compliances relating to Rules 59 and 95 of the Financial Institutions (Customer Due Diligence) Rules, No 1 of 2026 and its amendments.</td></tr>
</table>

Section	Principle	Level of compliance during the year 2023
3 (9) (i)	Transitional and Other General Provisions Compliance with this Direction shall commence from 01 January 2008 onwards and all licensed commercial banks shall fully comply with the provisions of this Direction by or before 01 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 WITH SECTION 9 OF THE LISTING RULES ISSUED BY THE COLOMBO STOCK EXCHANGE

Section	Principle, Compliance and Implementation	Effective date	Complied
9.1.3	Statement confirming the extent of compliance with the Corporate Governance Rules. This Annexure fulfills this requirement.		Complied with
9.2.1	The Bank shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Entity on its website; (a) Policy on the matters relating to the Board of Directors (b) Policy on Board Committees (c) Policy on Corporate Governance, Nominations and Re-election (d) Policy on Remuneration (e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities (f) Policy on Risk management and Internal controls (g) Policy on Relations with Shareholders and Investors (h) Policy on Environmental, Social and Governance Sustainability (i) Policy on Control and Management of Company Assets and Shareholder Investments (j) Policy on Corporate Disclosures (k) Policy on Whistleblowing (l) Policy on Anti-Bribery and Corruption	01 October 2024	Complied with other than (b), (i) and (j). They will be complied with on or before the effective date.
9.2.2	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted.		None.
9.2.3	The Bank shall disclose in its Annual Report: (i) The list of policies that are in place in conformity with Rule 9.2.1 above, with reference to its website. (ii) Any changes to policies adopted.	01 October 2024	To be complied with on or before the effective date.
9.2.4	To make available all such policies to shareholders upon a written request being made for any such Policy.	01 October 2024	Will be complied with when the shareholder, the Government of Sri Lanka makes a request.
9.3.1	The Bank has established the following (a), (b) and (c) committees - (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee The Bank has to establish a separate (d) Related Party Transactions Review Committee	01 October 2024	Complied with (a), (b) and (c) With regard to (d), a new committee will be formed before the effective date. Presently the Audit Committee monitors the related party transactions
9.3.2	The Bank shall comply with the composition, responsibilities and disclosures required in respect of the above-Board committees as set out in these Rules.		Please refer reports of the existing subcommittees given in pages 122 to 131.
9.3.3	The Chairperson of the Board of Directors of the Bank shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.		Complied with
9.4.1	Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General meetings with shareholder.		Not applicable. 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.

Section	Principle, Compliance and Implementation	Effective date	Complied
9.4.2	(a) The policy on effective communication and relations with shareholders and investors.		Complied with A Board approved Communication Policy is in place.
	(b) The contact person for such communication.		Complied with.
	(c) The policy on relations with shareholders and investors shall include a process to make all Directors aware of major issues and concerns of shareholders..		The Ex-officio Director acts as the conduit between the Bank and its shareholder, the Government of Sri Lanka.
	(d) To conduct any shareholder meetings through virtual or hybrid means.		Not applicable.
9.5.1	Maintaining a formal policy governing matters relating to the Board of Directors covering the following-		Complied with, through the Corporate Governance Policy in place.
	(a) Recognize the need for a balance of representation between Executive and Non-Executive Directors, the roles and functions of the Chairperson and Chief Executive Officer, Board balance and procedures for the appraisal of Board performance and the appraisal of the CEO.		This would be improve in year 2024.
	(b) Where a Listed Entity decides to combine the role of the Chairperson and CEO, (i) Set out the rational for combining such positions; and, (ii) Require the Board Charter of the Listed Entity to contain terms of reference/functions of the Senior Independent Director (SID) and the powers of the SID, which should be equivalent to that of the Chairperson in the instance of a conflict of interest. (iii) Set out the measures implemented to safeguard the interests of the SID.		The positions of Chairman and General Manager of the Bank are held by two different individuals by virtue of the enabling enactment.
	(c) Require diversity in Board composition.		Internal policy on appointment of Directors covers this.
	(d) Stipulate the maximum number of Directors with the rationale for the same.		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.
	(e) Specify the frequency of Board meetings, having regard to the requirements under the Listing Rules.		Covered by the Directions of the CBSL
	(g) Specify the minimum number of meetings, in numbers and percentage, that a Director must attend, in order to ensure consistent attendance at Board Meetings and to avoid being deemed to vacate such position.		
	(h) Provide requirements relating to trading in securities of the Listed Entity and its listed group companies and disclosure of such requirements.		Not applicable.
	(i) Specify the maximum number of directorships in Listed Entities that may be held by Directors.		Covered by the Directions of the CBSL
	(j) Recognize the right to participate at meetings of the Board and Board Committees by audio visual means and for such participation to be taken into account when deciding on the quorum.		Already in practice with necessary approvals. Will be incorporated into the Policy.
9.5.2	Listed Entities shall confirm compliance with the requirements of the policy referred to in Rule 9.5.1 for any non-compliance with any of the requirements with reasons for such non-compliance and the proposed remedial action.		Indicated above

COMPLIANCE WITH SECTION 9 OF THE LISTING RULES ISSUED BY THE COLOMBO STOCK EXCHANGE

Section	Principle, Compliance and Implementation	Effective date	Complied
9.6.1	The Chairperson of the Bank is a Non-Executive Director. Consequently, the position of Chairperson and CEO shall not be held by the same individual.		Complied with as mentioned in Rule no. 9.5.1 .
9.6.2	A Listed Entity that is unable to comply with Rule 9.6.1 above shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules or an immediate Market Announcement from the date of non-compliance .		Not applicable.
9.6.3	The requirement for a SID.		Not applicable as indicated in Rule no. 9.5.1 above.
9.7.1	To take necessary steps to ensure that the Directors and the CEO are, at all times, fit and proper persons as required in terms of Rule no. 9.7.3.		Complied with.
9.7.2	The Bank shall ensure that persons recommended by the Nominations and Governance Committee as Directors are fit and proper as required in terms of these Rules before such nominations are placed before the shareholders' meeting or appointments are made.		Complied with.
9.7.3	Confirmation on Fit and Proper Assessment Criteria for the Financial year 2023.		Complied with.
9.7.4	Listed Entities shall obtain declarations from their Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in these Rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation.		Complied with.
9.7.5	Disclosures in the Annual Report of the Bank- a) A statement that the Directors and CEO of the Listed Entity satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange. b) Any non-compliance/s by a Director and/or the CEO of the Listed Entity with the Fit and Proper Assessment Criteria set out in these Rules during the financial year and the remedial action taken by the Listed Entity to rectify such noncompliance/s.		Compiled with. Directors and CEO of Bank of Ceylon satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange.
9.8.1	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors.		Complied with. The Board of the Bank consists of six (06) Directors.
9.8.2	Minimum Number of Independent Directors: (a) The Board of Directors of the Bank shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Listed Entity at any given time, whichever is higher.		Complied with.
9.8.3 & 9.8.5	Determining the Independence of directors based on the criteria given under this rule.	01 October 2024	Presently the independence is determined based on CBSL directions. Independence based on CSE rules will be determined on or before the effective date.
9.9	Requirements to comply with the appointment of an Alternate Director to represent any Independent Director.		Complied with the requirement for an Alternate Director as and when the need arises.

Section	Principle, Compliance and Implementation	Effective date	Complied
9.10.1	The Bank shall disclose its policy on the maximum number of directorships it's Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Entity shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 above.		Maximum number of directorships are decided based on CBSL directions and it has been complied with.
9.10.2	The Bank shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following; i. A brief resume of such Director; ii. His/her capacity of directorship; and, iii. Statement by the Entity indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Entity.		Complied with (i) and (ii).
9.10.3	The Bank shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 above containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.		To be complied with.
9.10.4	Disclosure of following in relation to the Directors in the Annual Report: (a) Name, qualifications and brief profile are given on pages 26 to 31. (b) Nature of their expertise in relevant functional areas are given on pages 28 to 31. (c) Whether either the Director or Close Family Members has any material business relationships with other Directors are given on pages 312 to 319. (d) Whether Executive, Non-Executive and/or independent Director are given on pages 26 to 31. (e) The total number and names of companies in Sri Lanka in which the Director concerned serves as a Director and/or Key Management Personnel indicating whether such companies are listed or unlisted, whether such Director functions as executive or non-executive capacity (provided that if the directorships are within the Group of which the Bank is a part need not be disclosed) are given on pages 312 to 319. (f) Number of Board meetings attended are given on page 116. (g) Names of Board Committees in which the Director serves as Chairperson or a member are given on pages 122 to 131. (h) Details of attendance of Board Committee Meetings are given on page 116. (i) The terms of reference and powers of the SID (where applicable).		Complied with Not applicable
9.11.1	The Bank shall have a Nominations and Governance Committee that conforms to the requirements set out in Rule 9.11 of these Rules.		Complied with
9.11.2	The Bank shall establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the Nomination and Governance Committee.		Minister in charge of the Bank appoints the Directors. However this is complied with new appointments are made.
9.11.3	The Nomination and Governance Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.		Complied with

COMPLIANCE WITH SECTION 9 OF THE LISTING RULES ISSUED BY THE COLOMBO STOCK EXCHANGE

Section	Principle, Compliance and Implementation	Effective date	Complied
9.11.4	The composition of the Nomination and Corporate Governance Committee (1) The members of the Nominations and Governance Committee shall; (a) Comprise of a minimum of three (03) Directors out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. (b) Not comprise of Executive Directors of the Listed Entity. (2) An Independent Director shall be appointed as the Chairperson (3) The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report of the Bank.		Complied with
9.11.5	Functions of the Nomination and Corporate Governance Committee are included in pages 128 and 129 of this Annual Report.		Complied with subject to the provisions of the enabling enactment of the Bank, Bank of Ceylon Ordinance No 53 of 1938 and its amendments.
9.11.6	Disclosures made in the report of the Nomination and Corporate Governance Committee.		Complied with where applicable.
9.12	Remuneration Committee		Remuneration of the Directors are decided by the Government of Sri Lanka and this Committee referred to as Human Resource and Remuneration Committee in the Bank attends to the remuneration of the Senior Management and other HR matters referred to it by the Board. Report of this Committee is given on pages 126 and 127.
9.13	AUDIT COMMITTEE		
9.13.2	The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties.		Complied with

Section	Principle, Compliance and Implementation	Effective date	Complied
9.13.3.	Composition of the Audit Committee		
	(1) (a) Comprise of a minimum of three (03) directors of the Listed Entity, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors.		Complied with.
	(b) Not comprise of Executive Directors of the Listed Entity.		
	(2) The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors.	01 October 2024	This requirement is complied with. However, it would be incorporated into the TOR on or before the effective date.
	(3) The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financial to be released to the market.		Complied with
	(4) If both, the Parent Company and the subsidiary are 'Listed Entities', the Audit Committee of the Parent Company may function as the Audit Committee of the subsidiary.		A separate Audit Committee is available for the Listed Subsidiary.
	(5) An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors.		Complied with
	(6) Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO) of the Listed Entity shall attend the Audit Committee meetings by invitation. Provided however where the Listed Entity maintains a separate Risk Committee, the CEO shall attend the Risk Committee meetings by invitation.		Complied with
	(7) The Chairperson of the Audit Committee shall be a Member of a recognised professional accounting body.		Complied with
9.13.4	Functions of the Audit Committee.		Complied with.
9.13.5	Disclosures in the Annual Report.	01 October 2024	Partly complied with.
9.14.1	Listed Entities shall have a Related Party Transactions Review Committee.	01 October 2024	To be complied with on or before the effective date.
9.16	ADDITIONAL DISCLOSURES		Complied with.

COMPLIANCE REQUIREMENTS ENFORCED BY COLOMBO STOCK EXCHANGE

Compliance to the Listing Rules on contents of Annual Report, which were applicable to the Bank for the year ended 31 December 2023 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 2023	15 May 2023
		Quarter 2 ended 30 June 2023	15 August 2023
		Quarter 3 ended 30 September 2023	15 November 2023
		Quarter 4 ended 31 December 2023	29 February 2024

Rule No.	Requirement	Period
7.4.b.(i)	Comply with LKAS 34 and disclose Group and Bank separately.	Complied with. 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 2023 was submitted on 29 February 2024. Annual Report for the year 2023 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	152-153
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.	150
		Notes to the Financial Statements	176
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.	413
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 and opportunities	132-148
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	253-273
7.6.(ix)	Number of shares representing the entity's stated capital.	Note 50.1 to the Financial Statements	300

Rule No.	Disclosure Requirement	Reference/Comments	Page No.
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.	413
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	203, 300 401
	2. Market information on listed debentures.	Note 49 to the Financial Statements. Supplementary Information	297 401
	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.	255-273
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.	282, 297 and 300
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	415

COMPLIANCE REQUIREMENTS ENFORCED BY THE CENTRAL BANK OF SRI LANKA

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 2023	26 May 2023
		Quarter 2 ended 30 June 2023	25 August 2023
		Quarter 3 ended 30 September 2023	30 November 2023
		Quarter 4 ended 31 December 2023 (Audited)	22 March 2024

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 nonfinancial assets held as collateral	Note 58 to 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
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

COMPLIANCE REQUIREMENTS ENFORCED BY THE CENTRAL BANK OF SRI LANKA

(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	
(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 64.4.3 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 to the Financial Statements
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
	(a) 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

CAPITAL ADEQUACY

Capital adequacy is a measure of the financial soundness and the stability of the Bank which is expressed as a ratio of its Capital to Risk Weighted Assets of Credit, Market and Operational aspects of the business.

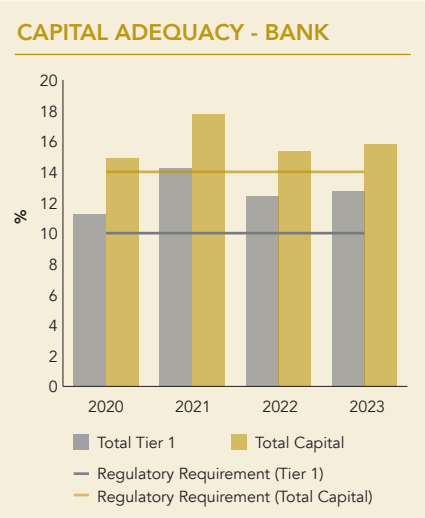
Regulatory Capital

The Central Bank of Sri Lanka (CBSL) sets and monitors capital requirements for Licensed Banks in Sri Lanka based on the Basel framework which is an international standard for banks' capital adequacy, stress testing and liquidity requirements. As a Domestically Systemically Important Bank (D-SIB), Bank of Ceylon requires to maintain a minimum Common Equity Tier 1 Ratio of 8.5 %, Tier 1 Ratio of 10% and Total Capital Ratio of 14% according to the Banking Act Direction No 01 of 2016 and subsequent amendments thereto issued by the CBSL.

Bank of Ceylon has continued to well maintain Capital Adequacy Ratios over and above the Regulatory Capital Requirements. Following comparison demonstrates the Minimum Regulatory Requirements and the actual positions of Bank of Ceylon.

Components of the Capital	Minimum Regulatory Requirement from 01.01.2019	Bank's position as at			
		31.12.2020	31.12.2021	31.12.2022	31.12.2023
	%	%	%	%	%
Common Equity Tier 1 (CET 1)	8.50	10.09	12.91	11.34	11.71
Total Tier 1	10.00	11.22	14.25	12.41	12.76
Total Capital	14.00	14.88	17.77	15.38	15.84

Below chart, depicts the components of the Bank's capital with its compliance imposed by the Regulator.



Sources of Capital

The business plans and financial plans are prepared ensuring adequate profit generation by setting appropriate targets for Return on Assets and Capital. The Bank was able to raise LKR 10 billion by issuing Basel III compliant – Tier 2, Listed, Unsecured, Subordinated, Redeemable debentures in 2023 in order to boost its capital levels.

Capital Management

The Bank has an ongoing process to evaluate the adequacy of capital in line with strategic aspirations and to comply with the BASEL III guidelines. All large credit proposals are evaluated with the required capital charge. Lending decisions and property expansions are evaluated on the basis of sufficient return on capital. In addition, necessary actions are taken to optimise the Risk Weighted Assets by improving asset quality in order to enhance Capital Adequacy Ratios.

Moving forward, the Bank is executing the identified medium and long term strategies to improve Capital Adequacy Ratios in line with CBSL Minimum Regulatory Requirements.

The Bank is committed to maintaining a strong and resilient balance sheet by maintaining optimum levels of capital adequacy in order to comply with capital adequacy thresholds set by the CBSL.

Basel III Disclosure Requirements Under Pillar 3 as per Banking Act Direction No 01 of 2016

Disclosure 1 : Key Regulatory Ratios - Capital and Liquidity

As at December 31,	2023		2022	
	Bank	Group	Bank	Group
Basel III				
Regulatory Capital (LKR '000)				
Common Equity Tier 1	204,342,671	215,172,411	194,949,918	200,533,817
Tier 1 Capital	222,692,671	233,448,400	213,299,918	218,883,817
Total Capital	276,409,883	288,363,582	264,494,074	270,747,789
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 8.50%)	11.71	12.10	11.34	11.34
Tier 1 Capital Ratio (Minimum Requirement - 10.00%)	12.76	13.12	12.41	12.38
Total Capital Ratio (Minimum Requirement - 14.00%)	15.84	16.21	15.38	15.32
Leverage Ratio (Minimum Requirement - 3.00%)	4.78	4.95	4.59	4.65

As at December 31	Bank	
	2023	2022
Regulatory Liquidity		
Statutory Liquid Assets - Domestic (LKR '000)	1,624,586,784	698,946,861
Statutory Liquid Assets - FCBU (USD '000)	607,206	368,308
Statutory Liquid Assets Ratio (Minimum Requirement - 20%)		
Domestic Banking Unit (%)	42.80%	21.22
Off - Shore Banking Unit (%)	54.20%	32.79
Consolidated (%)	45.00%	23.00
Liquidity Coverage Ratio (%)- Rupee (Minimum Requirement 2023-100%, 2022-100%)	316.00	169.00
Liquidity Coverage Ratio (%)- All Currency (Minimum Requirement 2023-100%, 2022-100%)	227.21	122.77
Net Stable Funding Ratio (%) (Minimum Requirement 2023 -100%, 2022 -100%)	145.00	139.00

CAPITAL ADEQUACY

Disclosure 2 : Basel III Computation of Capital Ratios -31.12.2023

As at December 31	2023 Bank LKR '000	2023 Group LKR '000	2022 Bank LKR '000	2022 Group LKR '000
Common Equity Tier 1 (CET 1) Capital after Adjustments	204,342,671	215,172,411	194,949,918	200,533,817
Common Equity Tier 1 (CET 1) Capital	229,487,333	236,307,441	219,610,936	221,151,838
Equity Capital (Stated Capital)/ Assigned Capital	25,730,000	25,730,000	25,730,000	25,730,000
Reserve Fund	15,665,000	15,665,000	15,131,000	15,131,000
Published Retained Earnings/(Accumulated Retained Losses)	171,351,609	173,063,302	158,616,238	159,819,481
Published Accumulated other Comprehensive Income (OCI)	16,571,657	21,482,495	19,964,631	20,104,713
General and other Disclosed Reserves	169,067	366,644	169,067	366,644
Unpublished current year's profit/(losses) and gains reflected in OCI	-	-	-	-
Ordinary shares issued by consoloidated banking and financial subsidaries held by third parties		-	-	-
Total Adjustments to CET 1 Capital	25,144,662	21,135,030	24,661,017	20,618,021
Goodwill (net)	-	-	-	-
Intangible Assests (net)	1,352,429	1,452,194	1,360,265	1,511,177
Revaluation losses of property, plant and equipment	52,913	52,913	52,913	52,913
Deferred tax assets (net)	18,580,248	18,644,378	18,903,174	18,924,249
Investments in the capital of banking and financial institutions where the bank does not own more than 10 percent of the issued ordinary share capital of the entity	1,047,457	985,544	-	-
Significant investments in the capital of financial institutions where the bank owns more than 10 percent of the issued ordinary share capital of the entity	4,111,614	-	4,214,983	-
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	53,717,211	54,915,182	51,194,155	51,863,972
Tier 2 Capital	53,795,872	54,915,182	51,194,155	51,863,972
Qualifying Tier 2 Capital Instruments	24,256,811	24,933,801	21,960,592	22,028,292
Revaluation Gains	9,902,177	9,902,177	9,902,177	9,902,177
General Provisions	19,636,885	20,079,205	19,331,387	19,933,503
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
Total Adjustment to Tier 2	78,661	-	-	-
Investment in Own Shares		-		-
Investments in the capital of financial institutions and where the bank does not own more than 10 percent of the issued capital carrying voting rights of the issuing entity	78,661	-	-	-
Significant investments in the capital of banking and financial institutions where the bank own more than 10 percent of the issued ordinary share capital of the entity	-	-	-	-
CET I Capital	204,342,671	215,172,411	194,949,918	200,533,817
Total Tier 1 Capital	222,692,671	233,522,411	213,299,918	218,883,817
Total Capital	276,409,883	288,437,593	264,494,074	270,747,789

	2023		2022	
As at December 31	Bank	Group	Bank	Group
	LKR '000	LKR '000	LKR '000	LKR '000
Total Risk Weighted Assets (RWA)	1,745,441,042	1,778,715,863	1,719,267,173	1,767,715,187
RWAs for Credit Risk	1,570,950,764	1,606,336,396	1,546,510,921	1,594,680,262
RWAs for Market Risk	20,412,633	20,422,929	19,738,892	19,717,359
RWAs for Operational Risk	154,077,644	151,956,538	153,017,360	153,317,566
CET I Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer and Surcharge on D-SIBs) (%)	11.71	12.10	11.34	11.34
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 (%)	12.76	13.13	12.41	12.38
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer and surcharge on D-SIBs) (%)	15.84	16.22	15.38	15.32
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

	2023		2022	
As at December 31	Bank	Group	Bank	Group
	LKR '000	LKR '000	LKR '000	LKR '000
Tier 1 Capital	222,692,671	233,448,400	213,299,918	218,883,817
Total Exposures	4,657,073,328	4,715,305,253	4,646,589,230	4,703,126,805
On-Balance Sheet Items (Excluding Derivatives and Securities Financing Transactions, but including Collateral)	4,361,075,626	4,415,824,079	4,251,645,878	4,307,950,487
Derivative Exposures	12,479,517	12,479,517	26,706,355	26,706,355
Securities Financing Transaction Exposures	80,374,807	83,858,280	183,736,863	183,969,828
Other Off-Balance Sheet Exposures	203,143,377	203,143,377	184,500,134	184,500,134
Basel III Leverage Ratio (%) (Tier 1 Capital/Total Excposure)	4.78	4.95	4.59	4.65

Disclosure 4 : Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR)

As at December 31	2023	2022
	LKR '000	LKR '000
Total Available Stable Funding	3,097,126,830	2,186,814,087
Required Stable Funding - On Balance Sheet Assets	2,119,759,169	1,652,394,020
Required Stable Funding - Off Balance Sheet Assets	12,851,224	14,220,143
Total Required Stable Funding	2,132,610,394	1,666,614,164
NSFR	145%	131%

CAPITAL ADEQUACY

Basel III computation of Liquidity Coverage Ratio - All Currency (Bank Only)

As at December 31,	2023 Total Un-Weighted Value LKR '000	2023 Total Weighted Value LKR '000	2022 Total Un-Weighted Value LKR '000	2022 Total Weighted Value LKR '000
Total Stock of High - Quality Liquid Asset (HQLA)	1,573,846,803	1,566,339,975	528,321,185	522,718,279
Total Adjusted Level I Assets	1,532,855,509	1,532,855,509	495,276,344	495,276,344
Level 1 Assets	1,530,225,982	1,530,225,982	496,650,654	496,650,654
Total Adjusted Level 2A Assets	40,867,380	34,737,273	29,235,313	24,850,016
Level 2A Assets	40,867,380	34,737,273	29,235,313	24,850,016
Total Adjusted Level 2B Assets	2,753,441	1,376,721	2,435,217	1,217,609
Level 2B Assets	2,753,441	1,376,721	2,435,217	1,217,609
Total Cash Outflows	4,412,609,059	851,520,467	4,143,573,873	591,674,653
Deposits	2,342,464,299	234,246,430	2,549,717,356	254,971,736
Unsecured Wholesale Funding	1,399,760,314	563,033,322	689,360,250	283,199,642
Secured Funding Transactions	61,244,586	-	347,682,220	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	601,301,767	46,402,622	556,814,047	53,503,275
Additional Requirements	7,838,093	7,838,093		-
Total Cash Inflows	236,636,601	162,135,509	312,827,811	165,920,811
Maturing Secured Lending Transaction Backed by Collateral	3,500,000	-	-	-
Committed Facilities	5,000,000	-	5,000,000	-
Other Inflows by Counterparty which are Maturing Within 30 Days	193,252,127	152,837,733	263,185,809	165,459,409
Operational Deposits	25,586,699	-	44,180,601	-
Other Cash Inflows	9,297,776	9,297,776	461,402	461,402
Liquidity Coverage Ratio (%) (Stock of High quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calender Days)*100		227.21		122.77

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	LK0357D23771	LK0357D23789			
Governing Laws of the Intrument	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-Dec-16	29-Dec-16	29-Dec-17	31-Jul-18	27-Jun-19
Par Value of Instrument -LKR	100	100	100	100	100
Issued quantity (No of Debentures)	7,836	200	50,000,000	67,000,000	30,000,000
Issued Quantity (LKR '000)	784	20	5,000,000	6,700,000	3,000,000
Perpetual or Dated					
Original Maturity Date, if Applicable	28-Dec-24	28-Dec-24	28-Dec-25	30-Jul-26	26-Jun-24
Amount Recognised in Regulatory Capital (in LKR' 000 as at the Reporting Date)	118	3	1,750,000	3,350,000	150,000
Accounting Classification (Equity/Liability)	Liability	Liability	Liability	Liability	Liability
Coupons/Dividends					
Fixed or Floting Dividend/Coupon	FIXED	FLOATING	FIXED	FIXED	FIXED
Coupon Rate and any Related Index %	12.75	15.41	12.75	12.00	11.75
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 Intrument	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka
Original Date of Issuance	17-Jul-19	18-Jul-19	23-Jul-19	24-Jul-19	26-Jul-19
Par Value of Instrument - LKR	100	100	100	100	100
Issued quantity (No of Debentures)	10,488,500	22,000,000	25,000,000	4,000,000	611,500
Issued Quantity (LKR '000)	1,048,850	2,200,000	2,500,000	400,000	61,150
Perpetual or Dated	Dated	Dated	Dated	Dated	Dated
Original Maturity Date, if Applicable	16-Jul-24	17-Jul-24	22-Jul-24	23-Jul-24	25-Jul-27
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	104,885	220,000	250,000	40,000	42,805
Accounting Classification (Equity/Liability)	Liability	Liability	Liability	Liability	Liability
Coupons/Dividends					
Fixed or Floting Dividend/Coupon	FIXED	FIXED	FIXED	FIXED	FIXED
Coupon Rate and any Related Index %	11.80	11.80	11.80	11.50	11.75
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

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Description of the Capital Instrument

Issuer	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon
Unique Identifier			
Governing Laws of the Intrument	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka
Original Date of Issuance	22-Nov-21	30-Dec-22	27-Dec-23
Par Value of Instrument -LKR	100	100	100
Issued quantity (No of Debentures)	51,500,000	64,900,000	100,000,000
Issued Quantity (LKR '000)	5,150,000	6,490,000	10,000,000
Perpetual or Dated	Dated	Dated	Dated
Original Maturity Date, if Applicable	21-Nov-26	29-Dec-27	27-Dec-28
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	2,832,500	5,516,500	10,000,000
Accounting Classification (equity/Liability)	Liability	Liability	Liability
Coupons/Dividends			
Fixed or Floting Dividend/Coupon	FLOATING	FIXED	FIXED
Coupon Rate and any Related Index %	17.25	29.00	15.00
Non-Cumulative or Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative
Convertible or Non-Convertible	Non Viability write down	Non Viability write down	Non Viability write down

Disclosure 7 : Credit Risk Under Standardised Approach

Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects - Bank

	Amount (LKR '000)					
As at December 31 2023	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures Post CCF and CRM		RWA and RWA Density (%)	
	On Balance Sheet Amount	Off Balance Sheet Amount	On Balance Sheet Amount	Off Balance Sheet Amount	RWA	RWA Density (%)
Claims on Central Goverment and CBSL	2,264,791,014	19,173,301	2,264,791,014	3,834,660	109,499,750	4.83%
Claims on Foreign Sovereigns and their Central Bank	52,724,038	-	52,724,038	-	50,990,288	96.71%
Claims on Public Sector Entities	361,790,757	94,405,025	67,663,815	13,967,824	81,499,808	99.84%
Claim on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	154,844,852	76,349,464	154,844,852	76,349,464	137,611,730	59.52%
Claims on Financial Institutions	3,025,636	17,790	3,025,636	17,790	2,121,906	69.72%
Claims on Corporates	211,104,414	339,927,946	174,324,187	48,985,925	208,737,153	93.47%
Retail Claims	647,449,221	213,180,855	594,738,838	-	467,137,365	78.54%
Claims Secured by Gold	150,352,375	-	150,352,375	-	1,433	0.00%
Claims Secured by Residential Property	86,646,079	-	86,646,079	-	40,552,778	46.80%
Claims secured by Commercial Real Estate	41,510,719	-	41,510,719	-	41,510,719	100.00%
Non-Performing Assets (NPAs)	125,464,134	-	125,464,134	-	157,845,044	125.81%
Higher - risk Categories	2,095,017	-	2,095,017	-	5,237,544	250.00%
Cash Items and Other Assets	312,949,262	33,149,514	312,949,262	33,149,514	268,205,248	77.49%
Total	4,414,747,518	776,203,895	4,031,129,966	176,305,178	1,570,950,764	37.34%

Credit Risk Under Standardised Approach

Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects - Group

Amount (LKR '000)

As at December 31, 2023	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures Post CCF and CRM		RWA and RWA Density (%)	
	On Balance Sheet Amount	Off Balance Sheet Amount	On Balance Sheet Amount	Off Balance Sheet Amount	RWA	RWA Density (%)
Claims on Central Government and CBSL	2,281,867,969	19,173,301	2,281,867,969	3,834,660	109,499,750	4.79%
Claims on Foreign Sovereigns and their Central Banks	52,724,038	-	52,724,038	-	50,990,288	96.71%
Claims on Public Sector Entities	374,073,709	94,405,025	67,663,815	13,704,162	81,367,977	100.00%
Claim on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	158,522,237	76,349,464	158,522,237	76,349,464	141,289,115	60.16%
Claims on Financial Institutions	3,025,636	17,790	3,025,636	17,790	2,121,906	69.72%
Claims on Corporates	235,108,650	339,927,946	198,328,423	48,985,925	232,741,389	94.11%
Retail Claims	647,449,221	213,180,855	594,738,838	-	467,137,365	78.54%
Claims Secured by Gold	150,352,375	-	150,352,375	-	1,433	0.00%
Claims Secured by Residential Property	86,646,079	-	86,646,079	-	40,552,778	46.80%
Claims Secured by Commercial Real Estate	41,510,719	-	41,510,719	-	41,510,719	100.00%
Non - Performing Assets (NPAs)	125,464,134	-	125,464,134	-	157,845,044	125.81%
Higher - Risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	322,315,647	33,149,514	322,315,647	33,149,514	281,278,633	79.13%
Total	4,479,060,414	776,203,895	4,083,159,910	176,041,516	1,606,336,396	37.71%

CAPITAL ADEQUACY

Credit Risk under Standardised Approach
Exposures by Asset Classes and Risk Weights (Post CCF and CRM) - Bank

	Amount (LKR '000)								
As at December 31 2023	0%	20%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
Claims on Central Government and Central Bank of Sri Lanka	1,721,083,625	543,707,390							2,264,791,014
Claims on Foreign Sovereigns and their Central Banks			3,467,501			49,256,537			52,724,038
Claims on Public Sector Entities		-				56,757,892			56,757,892
Claims on Official Entities and Multilateral Development Banks									-
Claims on Banks Exposures		44,851,179	42,859,035			67,134,638			154,844,852
Claims on Financial Institutions		138,701	1,621,118			1,034,720	-		2,794,539
Claims on Corporates		6,451,755	16,850,483			150,729,225	292,725		174,324,187
Retail Claims				3,578,001	504,681,091	86,479,746			594,738,838
Claims Secured by Gold	150,350,942	-				1,433			150,352,375
Claims Secured by Residential Property			70,912,770			15,733,309			86,646,079
Claims Secured by Commercial Real Estate						41,510,719			41,510,719
Non- Performing Assests (NPAs)						60,702,315	64,761,819		125,464,134
Higher-risk Categories								2,095,017	2,095,017
Cash Item and Other Assests	62,817,190	18,845,424				231,286,648			312,949,262
Total	1,934,251,756	613,994,448	135,710,907	3,578,001	504,681,091	760,627,182	65,054,543	2,095,017	4,019,992,946

Credit Risk under Standardised Approach
Exposures by Asset Classes and Risk Weights (Post CCF and CRM) - Group

	Amount (LKR'000)								
As at December 31, 2023	0%	20%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
Claims on Central Government and Central Bank of Sri Lanka	1,738,160,580	543,707,390							2,281,867,969
Claims on Foreign Sovereigns and their Central Bank			3,467,501			49,256,537			52,724,038
Claims on Public Sector Entities		-				56,757,892			56,757,892
Claims on Official Entities and Multilateral Development Banks									-
Claims on Banks Exposures		44,851,179	42,859,035			70,812,023			158,522,237
Claims on Financial Institutions		138,701	1,621,118			1,034,720	-		2,794,539
Claims on Corporates		6,451,755	16,850,483			174,733,461	292,725		198,328,423
Retail Claims				3,578,001	504,681,091	86,479,746			594,738,838
Claims Secured by Gold	150,350,942	-				1,433			150,352,375
Claims Secured by Residential Property			70,912,770			15,733,309			86,646,079
Claims secured by Commercial Real Estate						41,510,719			41,510,719
Non- Performing Assests (NPAs)						60,702,315	64,761,819		125,464,134
Higher - Risk Categories								-	-
Cash Item and Other Assests	59,110,190	18,845,424				244,360,033			322,315,647
Total	1,947,621,711	613,994,448	135,710,907	3,578,001	504,681,091	801,382,188	65,054,543	-	4,072,022,890

Disclosure 9 : Market Risk under Standardised Measurement Method

As at 31 December 2023	2023 Bank (LKR '000)	2023 Group (LKR '000)	2022 Bank (LKR '000)	2022 Group (LKR '000)
(a) Capital Charge for Interest Rate Risk	651,669	651,669	21,782	21,782
General Interest Rate Risk	651,669	651,669	21,782	21,782
(i) Net Long or Short Position	651,669	651,669	21,782	21,782
(ii) Horizontal Disallowance	-	-	-	-
(iii) Vertical Disallowance	-	-	-	-
(iv) Options	-	-	-	-
Specific Interest Rate Risk	-	-	-	-
(b) Capital Charge for Equity	601,439	601,439	631,165	631,165
(i) General Equity Risk	315,562	315,562	296,418	296,418
(ii) Specific Equity Risk	285,877	285,877	334,747	334,747
(c) Capital Charge for Foreign Exchange and Gold	1,604,660	1,606,102	2,110,498	2,107,483
Total Capital Charge for Market Risk [(a)+(b)+(c)]	2,857,769	2,859,210	2,763,445	2,760,430
Total Risk Weighted Amount for Market Risk	20,412,633	20,422,929	19,738,892	19,717,357

Disclosure 10 : Operational Risk under Basic Indicator Approach

Operational Risk under Basic Indicator Approach - Bank

As at December 31	Capital Charge Factor	Fixed Factor	Gross Income (LKR '000) 2023 1st Year	2nd Year	3rd Year	Gross Income (LKR '000) 2022 1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		140,313,204	193,471,515	97,632,686	94,663,889	140,313,204	193,471,515
Capital Charges for Operational Risk					21,570,870			21,422,430
Risk Weighted Amount for Operational Risk					154,077,644			153,017,360

Operational Risk under Basic Indicator Approach - Group

As at December 31	Capital Charge Factor	Fixed Factor	Gross Income (LKR '000) 2023 1st Year	2nd Year	3rd Year	Gross Income (LKR '000) 2022 1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		141,603,940	180,152,415	103,721,952	97,518,878	145,112,559	186,657,749
Capital Charges for Operational Risk					21,273,915			21,464,459
Risk Weighted Amount for Operational Risk					151,956,538			153,317,566

CAPITAL ADEQUACY

D-SIB Assessment Exercise	Group LKR million
Size Indicator	
Section 1 - **Total Exposures**	
Total exposures measure	4,715,305
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	201,678
(ii) Lending	6,360
b. Holdings of securities issued by other financial institutions	
c. Net positive current exposure of securities financing transactions (SFTs) with other financial institutions	3,742
d. Over-the-counter (OTC) derivatives with other financial institutions that have a net positive mark to market value	2,750
Intra-financial system assets	214,530
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	41,141
(ii) Borrowings	26,902
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	15,777
Intra-financial system liabilities	83,820
Section 4 - **Securities Outstanding**	
Securities outstanding	61,151
Substitutability/Financial Institution Infrastructure Indicators	
Section 5 - **Payments made in the reporting year (excluding intragroup payments)**	
Payments activity	17,383,724
Section 6 - **Assets Under Custody**	
Assets under custody	722,982
Section 7 - **Underwritten Transactions in Debt and Equity Markets**	
Underwriting activity	-
Section 8 - **Trading Volume**	
Treading volume	31,769
Complexity indicators	
Section 9 - **Notional Amount of Over-the-Counter (OTC) Derivatives**	
OTC derivatives	109,107
Section 10 - **Level 2 Assets**	
Level 2 assets	34,737
Section 11 - **Trading and available for sale (AFS) securities**	
Trading and AFS securities	39,951
Section 12 - **Cross-Jurisdictional Liabilities**	
Foreign Liabilities (excludeing derivatives and intragroup liabilities)	
Cross-jurisdictional liabilities	110,043
Section 13 - **Cross-Jurisdictional Claims**	
Foreign claims (excludeing derivatives and intragroup liabilities)	
Cross-jurisdictional claims	41,618

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INDEPENDENT ASSURANCE REPORT – SUSTAINABILITY

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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 2023. The Sustainability Indicators are included in the Bank of Ceylon Integrated Annual Report for the year ended 31 December 2023 (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 2023, dated 27 February 2024 and the Audit report dated 28 February 2024 thereon	Integrated Annual Report Page
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The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

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A Winning, Talented and Diverse Team	90 to 97
A Digitally Empowered Bank	98 to 102
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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 2023, 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 2023, 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.

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

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee

C. P. Jayatilake FCA, Ms. S. Joseph FCA, S. T. D. L. Perera FCA, Ms. B.K.D.T.N. Rodrigo FCA, Ms. C.T.K.N. Perera ACA, T. J. S. Rajakarier FCA, Ms. S.M.B. Jayasekara FCA, G. A. U. Karunaratne FCA, R. H. Rajan FCA, A.M.R.P. Alahakoon ACA, W. J. C. Perera FCA, W. K. D. C. Abeyrathne FCA, R.M.D.B. Rajapakse FCA, M.N.M. Shameel FCA, Ms. P.M.K. Sumanasekara FCA

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R Ziyard FCMA (UK), FTII

INDEPENDENT ASSURANCE REPORT – SUSTAINABILITY

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 for professional Accountants issued by CA Sri Lanka (Code of Ethics).

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 Control (SLSQC) 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 controls 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 controls 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 2023 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.

CHARTERED ACCOUNTANTS

Colombo
19 April 2024

STATEMENT OF PROFIT OR LOSS IN USD

	Bank		Group	
For the year ended 31 December	2023	2022	2023	2022
	USD '000	USD '000	USD '000	USD '000
Total income	1,673,814	1,413,206	1,703,696	1,434,527
Interest income	1,620,130	1,256,554	1,643,839	1,275,656
Less : Interest expenses	1,338,620	908,598	1,348,985	918,274
Net interest income	281,510	347,956	294,854	357,382
Fee and commission income	79,880	62,895	80,992	63,798
Less : Fee and commission expenses	25,378	17,863	25,430	17,916
Net fee and commission income	54,502	45,032	55,562	45,882
Net gains/ (losses) from trading	(16,510)	48,477	(15,940)	48,686
Net fair value gains/ (losses) from financial instruments at fair value through profit or loss	2,651	(2,215)	4,473	(2,635)
Net gains/ (losses) from derecognition of financial assets	4,204	2,372	4,538	2,418
Net other operating income	(16,542)	45,125	(14,206)	46,605
Total operating income	309,815	486,747	329,281	498,338
Less : Impairment charge/ (reversal) for loans and other losses	(15,146)	240,026	(15,586)	240,409
Net operating income	324,961	246,721	344,867	257,929
Less : Operating expenses				
Personnel expenses	92,053	79,842	99,751	86,346
Depreciation and amortisation expenses	11,895	11,806	13,056	12,413
Other expenses	57,376	38,606	63,207	42,478
Total operating expenses	161,324	130,254	176,014	141,237
Operating profit/ (loss) before taxes on financial services	163,637	116,467	168,853	116,692
Less : Taxes on financial services	39,094	31,157	39,997	31,512
Operating profit/ (loss) after taxes on financial services	124,543	85,310	128,856	85,180
Share of profits/ (losses) of associate companies, net of tax	-	-	104	338
Profit/ (loss) before income tax	124,543	85,310	128,960	85,518
Less : Income tax expense/ (reversal)	42,136	(2,742)	43,700	(2,194)
Profit/ (loss) for the year	82,407	88,052	85,260	87,712
Profit attributable to :				
Equity holder of the Bank	82,407	88,052	85,118	88,113
Non-controlling interest	-	-	142	(401)
Profit/ (Loss) for the year	82,407	88,052	85,260	87,712
Earnings per share and Dividend per share				
Basic earnings per share (USD)	3.30	3.52	3.40	3.52
Diluted earnings per share (USD)	3.20	3.50	3.31	3.51
Dividend per share (USD)	0.02	0.04	0.02	0.04

Exchange rate of 1 USD was LKR 323.9233 as at 31 December 2023. (LKR 363.1100 as at 31 December 2022)

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.

STATEMENT OF COMPREHENSIVE INCOME IN USD

For the year ended 31 December	Bank		Group	
	2023 USD '000	2022 USD '000	2023 USD '000	2022 USD '000
Profit/ (Loss) for the year	82,407	88,052	85,260	87,712
Items that will be reclassified to the profit or loss				
Exchange differences on translation of foreign operations	(6,105)	20,831	(7,058)	27,108
Net gains/ (losses) on cash flow hedge instruments	(62,883)	61,638	(62,883)	61,638
Net gains/ (losses) on investments in debt instruments measured at fair value through other comprehensive income (FVTOCI)	511	3,660	842	3,615
Net (gains)/ losses on investment in financial assets at FVTOCI reclassification to profit or loss	-	(16)	-	(16)
Deferred tax effect on above	(458)	(386)	(458)	(386)
Share of other comprehensive income of Associate companies, net of tax	-	-	(7)	(56)
Total items that will be reclassified to the profit or loss	(68,935)	85,727	(69,564)	91,904
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)	5,516	(863)	7,448	1,509
Deferred tax effect on above	(333)	(1,615)	(333)	(1,615)
Changes in revaluation surplus/ (deficit)	21,242	5,007	26,658	10,178
Deferred tax effect on above	(6,056)	(5,120)	(7,681)	(6,672)
Net actuarial gains/ (losses) on defined benefit plans	(58,471)	(10,590)	(58,721)	(10,457)
Deferred tax effect on above	17,541	4,033	17,614	3,915
Total items that will not be reclassified to the profit or loss	(20,561)	(9,148)	(15,015)	(3,142)
Other comprehensive income for the year, net of tax	(89,496)	76,580	(84,579)	88,762
Total comprehensive income for the year	(7,089)	164,631	681	176,474
Attributable to:				
Equity holder of the Bank	(7,089)	164,631	487	176,776
Non-controlling interest	-	-	194	(302)
Total comprehensive income for the year	(7,089)	164,631	681	176,474

Exchange rate of 1 USD was LKR 323.9233 as at 31 December 2023. (LKR 363.1100 as at 31 December 2022)

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

	Bank		Group	
As at 31 December	2023	2022	2023	2022
	USD '000	USD '000	USD '000	USD '000
Assets				
Cash and cash equivalents	418,465	353,616	424,079	372,424
Balances with Central Banks	107,842	194,141	107,842	194,141
Placements with banks	231,432	45,329	225,439	49,053
Securities purchased under resale agreements	11,459	4,077	11,408	4,030
Derivative financial instruments	63,366	157,405	63,366	157,405
Financial assets recognised through profit or loss measured at fair value	125,470	28,311	150,748	29,292
Financial assets at amortised cost				
loans and advances	6,819,707	6,404,655	6,917,104	6,488,332
debt and other instruments	5,105,309	4,284,920	5,124,710	4,302,756
Financial assets measured at fair value through OCI	152,919	23,934	161,148	29,605
Investment in subsidiary companies	25,256	22,531	-	-
Investment in associate companies	287	256	2,276	1,885
Investment properties	7,454	6,650	295	289
Property, Plant and Equipment	131,403	95,963	183,892	140,432
Right of Use Assets/ Leasehold properties	10,832	8,268	9,220	7,227
Intangible assets	4,800	3,972	5,108	4,388
Deferred tax assets	57,123	42,900	57,405	42,958
Other assets	346,607	265,623	348,608	267,900
Total assets	13,619,731	11,942,551	13,792,648	12,092,117
Liabilities				
Due to banks	9,409	31,712	9,763	31,802
Securities sold under repurchase agreements	242,227	496,319	240,272	495,549
Derivative financial instruments	6,697	2,537	6,697	2,537
Financial liabilities at amortised cost				
due to depositors	11,985,036	9,183,923	12,069,464	9,248,433
other borrowings	103,933	1,075,403	109,880	1,093,563
Debt securities issued	-	-	2,256	162
Current tax liabilities	23,529	17,965	24,319	18,875
Deferred tax liabilities	-	-	9,056	7,420
Insurance contract liabilities - Life	-	-	1,110	978
Insurance contract liabilities - Non life	-	-	2,074	1,825
Other liabilities	272,106	259,083	277,337	265,554
Subordinated liabilities	199,713	175,589	198,928	174,874
Total liabilities	12,842,650	11,242,531	12,951,156	11,341,572
Equity				
Share capital	79,432	70,860	79,432	70,860
Permanent reserve fund	48,360	41,671	48,360	41,671
Retained earnings	528,988	436,827	534,272	440,141
Cashflow hedge reserve	16,212	70,559	16,212	70,559
Other reserves	104,089	80,103	159,756	124,404
Total equity attributable to equity holder of the Bank	777,081	700,020	838,032	747,635
Non-controlling interest	-	-	3,460	2,910
Total equity	777,081	700,020	841,492	750,545
Total liabilities and equity	13,619,731	11,942,551	13,792,648	12,092,117
Contingent liabilities and commitments	4,751,761	3,703,836	4,781,663	3,709,400
Net assets value per share (USD)	31.08	28.00	33.52	29.91

Exchange rate of 1 USD was LKR 323.9233 as at 31 December 2023. (LKR 363.1100 as at 31 December 2022)

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.

QUARTERLY PERFORMANCE

Summary of the Statement of Profit or Loss

	2023				2022			
	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	18,654	9,913	22,652	39,969	39,806	41,004	27,106	18,431
Non interest income	(648)	(1,810)	6,000	5,627	18,375	13,154	9,061	9,806
Non interest expense	(11,777)	(12,427)	(13,406)	(14,647)	(10,168)	(11,359)	(11,806)	(13,965)
Impairment (charge)/ reversal for loans and other losses	(1,068)	14,161	682	(8,869)	(36,836)	(26,934)	(16,252)	(7,133)
Operating profit before taxes on financial services	5,161	9,837	15,928	22,080	11,176	15,865	8,109	7,139
Taxes on financial services	(1,831)	(2,702)	(3,761)	(4,370)	(2,301)	(2,890)	(2,480)	(3,642)
Profit before income tax	3,330	7,135	12,167	17,710	8,875	12,975	5,629	3,497
Income tax expense	(21)	(1,932)	(2,611)	(9,085)	(3,411)	(2,524)	(2,556)	9,487
Profit after income tax	3,309	5,203	9,556	8,625	5,464	10,450	3,073	12,984
Other comprehensive income	(6,133)	(5,189)	(8,390)	(9,277)	5,287	16,706	3,058	2,758
Total comprehensive income	(2,824)	14	1,166	(652)	10,751	27,156	6,131	15,742
Group								
Net interest income	19,733	11,043	23,770	40,964	40,888	41,763	27,792	19,325
Non interest income	(255)	(1,816)	6,794	6,428	18,707	13,130	9,430	9,915
Non interest expense	(12,782)	(13,565)	(14,483)	(16,185)	(11,419)	(12,127)	(12,738)	(15,000)
Impairment (charge)/ reversal for loans and other losses	(1,128)	14,195	759	(8,777)	(36,801)	(27,800)	(15,793)	(6,900)
Operating profit before taxes on Financial Services	5,568	9,857	16,840	22,430	11,375	14,966	8,691	7,340
Taxes on financial services	(1,847)	(2,742)	(3,905)	(4,461)	(2,380)	(2,869)	(2,510)	(3,683)
Operating profit after taxes on financial services	3,721	7,115	12,935	17,969	8,995	12,097	6,181	3,657
Share of profit/ (losses) of associate companies, net of tax	25	3	27	(22)	37	33	21	31
Profit before income tax	3,746	7,118	12,962	17,947	9,032	12,130	6,202	3,688
Income tax expense	(95)	(2,020)	(2,843)	(9,198)	(3,477)	(2,549)	(2,625)	9,448
Profit after income tax	3,651	5,098	10,119	8,749	5,555	9,581	3,577	13,136
Other comprehensive income	(6,122)	(5,196)	(8,598)	(7,479)	6,793	17,196	3,554	4,795
Total comprehensive income	(2,471)	(98)	1,521	1,270	12,348	26,777	7,131	17,931

Summary of the Statement of Financial Position

	2023				2022			
	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec
	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million
Bank								
Assets								
Investments	1,466,806	1,546,245	1,760,032	1,830,857	1,458,047	1,587,610	1,603,157	1,601,082
Loans and advances to customers	2,132,577	2,082,899	2,136,680	2,209,062	2,430,684	2,505,856	2,363,664	2,325,594
Property, plant and equipment	42,490	42,722	42,461	50,043	39,069	38,536	38,509	41,704
Other assets	423,648	365,726	360,947	321,786	273,609	334,677	397,169	368,080
Total assets	4,065,521	4,037,592	4,300,120	4,411,748	4,201,409	4,466,679	4,402,499	4,336,460
Liabilities and equity								
Due to customers	3,310,472	3,409,055	3,688,050	3,882,232	3,127,716	3,252,061	3,314,049	3,334,774
Debt securities and borrowed funds	420,489	293,829	233,686	179,869	785,335	778,349	685,420	645,982
Other liabilities	83,373	83,507	126,017	97,932	77,021	204,514	164,588	101,520
Equity	251,187	251,201	252,367	251,715	211,337	231,755	238,442	254,184
Total liabilities and equity	4,065,521	4,037,592	4,300,120	4,411,748	4,201,409	4,466,679	4,402,499	4,336,460
Group								
Assets								
Investments	1,471,148	1,551,044	1,768,944	1,838,501	1,458,210	1,593,247	1,604,941	1,603,720
Loans and advances to customers	2,161,380	2,110,006	2,165,414	2,240,611	2,466,219	2,540,746	2,398,089	2,355,978
Property, plant and equipment	55,460	55,289	55,019	64,304	51,259	50,885	50,772	55,315
Other assets	430,485	374,387	358,680	324,344	275,413	336,140	403,144	375,756
Total assets	4,118,473	4,090,726	4,348,057	4,467,760	4,251,101	4,521,018	4,456,946	4,390,769
Liabilities and equity								
Due to customers	3,334,166	3,431,407	3,712,361	3,909,581	3,146,490	3,278,528	3,340,117	3,358,198
Debt securities and borrowed funds	425,756	300,584	233,073	181,753	794,519	783,884	691,043	652,127
Other liabilities	88,665	88,953	131,320	103,847	82,520	211,259	171,080	107,914
Equity	268,834	268,748	270,223	271,458	226,050	245,889	253,629	271,473
Non controlling interest	1,052	1,034	1,080	1,121	1,522	1,458	1,077	1,057
Total liabilities and equity	4,118,473	4,090,726	4,348,057	4,467,760	4,251,101	4,521,018	4,456,946	4,390,769

QUARTERLY PERFORMANCE

Summary of the Key Performance Indicators

	2023				2022			
	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec
Bank								
Profitability								
Interest margin (%)	1.8	1.4	1.6	2.1	3.4	3.9	3.5	3.1
Return on average assets (before tax) (%)	0.3	0.5	0.7	0.9	0.9	1.1	0.9	0.8
Return on average equity (after tax) (%)	5.2	6.7	9.5	10.6	10.6	14.7	11.5	14.1
Investor Information								
Interest cover (times)	1.1	1.3	1.5	1.7	1.4	1.6	1.4	1.3
Net assets value per share (LKR)	10,047	10,048	10,095	10,069	8,453	9,270	9,538	10,167
Capital Adequacy Ratio								
Common equity Tier I capital adequacy ratio, (%)	11.7	11.7	10.9	11.7	10.8	10.5	10.7	11.3
Total Tier I capital adequacy ratio, (%)	12.7	12.8	11.9	12.8	11.9	11.6	11.7	12.4
Total capital adequacy ratio, (%)	15.7	15.6	14.5	15.8	14.9	14.4	14.3	15.4
Assets Quality								
Impaired loans (Stage 3) ratio	5.3	6.1	5.8	5.1	5.5	5.5	5.6	5.3
Impairment (Stage 3) to Stage 3 loans ratio	61.6	57.8	58.8	60.4	51.6	55.3	57.7	59.7
Regulatory Liquidity								
Statutory liquid assets ratio								
- Domestic banking unit (%)	26.7	32.7	41.3	42.8	30.5	21.7	21.0	21.2
- Off shore banking unit (%)	35.4	42.4	68.7	54.2	30.0	23.3	26.2	32.8
Group								
Profitability								
Interest margin (%)	1.9	1.5	1.7	2.2	4.0	3.9	3.6	3.2
Return on average assets (before tax) (%)	0.4	0.5	0.7	0.9	0.9	1.0	0.9	0.8
Return on average equity (after tax) (%)	5.4	6.5	9.3	10.1	10.0	13.1	10.6	13.1
Investor Information								
Net assets value per share (LKR)	10,753	10,750	10,809	10,858	9,042	9,836	10,145	10,859
Capital Adequacy Ratio								
Common equity Tier 1 capital adequacy ratio, (%)	11.8	11.8	11.2	12.1	10.8	10.5	10.9	11.4
Total Tier I capital adequacy ratio, (%)	12.9	12.9	12.3	13.1	11.9	11.5	11.9	12.4
Total capital adequacy ratio, (%)	15.8	15.8	14.9	16.2	14.9	14.2	14.5	15.3

SHARE AND DEBENTURE INFORMATION

Share Information

As at 31 December	2023		2022	
Shareholder	No. of ordinary shares	Holding %	No. of ordinary shares	Holding %
Government of Sri Lanka	25,730,000*	100	25,730,000*	100

*This include 730,000 shares in pending allotment.

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	10	Annually	13.75%
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
December 2023/ 2028 series	5	Annually	15.00%

Trading Information on Listed Debentures

The debentures that have been traded during the year ended 2023 and 2022 are as follows.

	2023					2022				
	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, 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 2015/2023 Unsecured, subordinated, redeemable, 8 years, fixed rate -9.50%	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
BoC Debentures 2023/2028, Unsecured, subordinated, redeemable with non viability written down features, 5 Years, fixed rate - 15.0%	N/T	N/T	N/T	N/T	N/T	N/A	N/A	N/A	N/A	N/A

* As the date of last trade done
N/T - Not Traded
N/A - Not Applicable

TEN YEAR STATISTICAL SUMMARY – BANK

For the year ended 31 December	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million
Operating results										
Income	126,546	131,502	154,121	189,211	221,021	239,116	247,164	290,362	513,149	542,187
Interest income	107,395	112,745	134,685	171,344	195,394	220,477	226,311	260,513	456,267	524,798
Interest expenses	(68,945)	(66,419)	(80,728)	(112,988)	(129,836)	(145,331)	(151,535)	(149,261)	(329,921)	(433,610)
Net interest income	38,450	46,326	53,957	58,356	65,558	75,146	74,776	111,252	126,346	91,188
Other operating income	19,151	18,756	19,437	17,868	25,627	18,640	20,853	29,849	56,882	33,001
Other operating expenses	(33,258)	(34,987)	(35,940)	(38,632)	(48,181)	(53,580)	(66,619)	(88,885)	(140,938)	(71,183)
Operating profit before taxes on financial services	24,343	30,095	37,454	37,592	43,004	40,206	29,010	52,216	42,290	53,006
Taxes on financial services	(4,052)	(4,816)	(6,265)	(7,249)	(9,588)	(10,521)	(5,458)	(9,027)	(11,313)	(12,664)
Profit before income tax	20,291	25,279	31,189	30,343	33,416	29,685	23,552	43,189	30,977	40,342
Income tax expense	(6,717)	(7,922)	(6,398)	(9,031)	(12,413)	(6,587)	(5,787)	(5,599)	995	(13,649)
Profit for the year	13,574	17,357	24,791	21,312	21,003	23,098	17,765	37,590	31,972	26,694

As at 31 December	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million
Assets										
Cash and cash equivalents	35,583	79,917	67,706	72,843	78,447	64,869	84,417	82,647	128,401	135,550
Balances with Central Banks	30,422	38,940	56,388	68,689	65,680	54,594	33,352	74,122	70,495	34,933
Placements with banks	13,349	27,976	11,675	8,067	40,450	44,476	27,616	4,957	16,459	74,966
Loans and advances to customers	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	2,209,061
Other financial assets	438,554	522,762	461,193	567,778	579,023	599,352	752,159	1,116,130	1,576,349	1,747,617
Investments in subsidiaries and associates	7,056	7,056	6,306	6,606	6,606	6,606	6,606	8,274	8,274	8,181
Investment properties	-	-	3,000	2,883	2,766	2,649	2,534	2,415	2,415	2,415
Property, Plant and Equipment and right of use assets	16,296	16,431	15,584	23,148	24,277	29,059	36,575	35,895	37,847	46,073
Intangible assets	385	373	563	811	1,238	1,127	1,021	1,040	1,442	1,555
Net employee benefit assets, derivative financial instruments and other assets	46,027	48,044	46,794	37,818	57,237	62,580	50,292	64,042	169,184	151,397
Total assets	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	4,411,748
Liabilities										
Due to banks	890	2,630	2,042	2,203	2,402	2,669	2,402	17,936	11,515	3,048
Due to customers	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	3,882,232
Debt securities issued and subordinated term debts	53,282	39,055	42,072	42,570	50,827	54,222	64,637	64,359	63,758	64,692
Other borrowings	246,736	337,442	254,895	222,679	299,192	172,017	237,991	606,264	570,708	112,129
Current tax liabilities	-	2,081	-	1,877	3,922	-	592	648	6,523	7,622
Other liabilities	19,340	23,259	20,843	24,488	25,343	38,714	45,925	46,423	94,998	90,311
Total liabilities	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	4,160,034
Equity										
Share capital	10,000	10,000	15,000	20,000	25,000	25,000	25,000	25,000	25,730	25,730
Permanent reserve fund	3,810	5,210	7,996	10,427	12,890	13,383	13,739	14,491	15,131	15,665
Retained earnings	44,861	51,086	54,155	63,472	78,062	87,689	96,984	136,739	158,616	171,352
Other reserves	16,135	15,189	15,699	17,256	16,218	16,211	20,936	24,530	54,707	38,967
Total equity	74,806	81,485	92,850	111,155	132,170	142,283	156,659	200,760	254,184	251,714
Total liabilities and equity	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	4,411,748
Contingent liabilities and commitments	721,763	696,857	547,399	496,477	508,307	508,218	580,449	999,727	1,344,900	1,539,206

As at 31 December	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million
Ratios										
Return on average assets (%)	1.6	1.7	1.9	1.7	1.6	1.3	0.9	1.3	0.8	0.9
Return on average equity (%)	20.5	22.2	28.4	20.9	17.3	16.8	11.9	21.0	14.1	10.6
Income growth (%)	(0.7)	3.9	17.2	22.8	16.8	8.2	3.4	17.5	76.7	5.7
Capital adequacy ratio (%) *										
- Tier I	9.5	9.1	8.7	10.8	10.3	11.2	11.2	14.3	12.4	12.8
- Tier I + Tier II	13.6	13.1	12.3	14.6	14.6	15.6	14.9	17.8	15.4	15.8
Capital funds to liabilities including contingent liabilities (%)	3.8	3.7	4.4	4.8	5.0	5.1	4.6	4.5	4.7	4.4
Liquidity ratio - domestic (%)	30.8	28.2	21.6	27.2	24.5	24.6	26.6	25.0	21.2	42.8
Cost to income ratio (%)	44.0	44.7	43.0	38.4	38.1	37.3	37.0	32.0	29.4	55.7
Other information										
Number of employees	8,577	7,980	7,569	7,587	8,724	8,503	8,479	8,337	8,209	8,579
Number of branches	573	578	580	578	577	581	582	581	581	583
Number of ATMs, CDMs and CRMs	540	563	801	932	1,057	1,197	1,130	1,400	1,457	1,486
Number of advances ('000)	2,384	2,146	2,122	2,226	2,606	2,715	2,598	2,396	2,354	2,432
Number of deposits ('000)	12,311	12,322	12,706	13,254	13,421	14,480	15,027	15,287	15,863	16,903
Cash flow from operating activities	72,987	127,503	(21,346)	135,039	(25,790)	36,213	95,370	55,027	215,253	58,707
Cash flow from investing activities	(27,222)	(101,988)	83,642	(56,384)	11,667	25,620	(102,961)	(298,678)	(12,774)	41,016
Cash flow from financing activities	(29,519)	17,982	(73,927)	(73,822)	19,983	(75,901)	28,045	226,463	(150,755)	(84,795)
Capital expenditure on purchase of PPE and Lease hold properties	(1,743)	(1,332)	(2,053)	(3,081)	(3,400)	(3,386)	(2,946)	(1,771)	(2,244)	(3,178)

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. Loans granted to the Government of Sri Lanka and State-Owned Enterprises.
2. Investment in Sovereign Bonds, Treasury bills and bonds issued by the Government of Sri Lanka.
3. Extending of trade finance credit and other related services to facilitate import transactions of the Government of Sri Lanka and State-Owned Enterprises.
4. 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.

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. Tel : 011 4711711 Fax : 011 4711742 e-mail : customercare@mbslbank.com Website : www.mbslbank.com	**Mr A M A Perera** Non-Executive Chairman/ Director **Prof. N S Punchihewa** Non-Executive Director **Mr J D V N Jayasinghe** Non-Executive Director BoC Representatives **Mr Y A Jayathilaka** 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 Limited 19th Floor, BoC Head Office Building, "BOC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01. Tel : 011 2544328 Fax : 011 2544329 e-mail : pdlhrm@sltnet.lk Website : www.pdl.lk	**Mr Ronald C Perera PC** Non-Executive Chairman/ Director **Ms D G De Silva** Non-Executive Director **Mr D G R M Kumar** Non-Executive Director **Mr R B M Gunawardena** Non-Executive Director BoC Representatives **Mr W P Russel Fonseka** Non-Executive Director **Mr Y A Jayathilaka** Non-Executive Director **Mr S Sivanjan** Alternate to Mr W P Russel Fonseka
BOC Travels (Private) Limited 1st Floor, BoC Super Grade Branch Building, Baseline Road, Colombo 08. Tel : 011 2688154-8 Fax : 011 2688175 e-mail : info@boctravels.lk Website : www.boctravels.com	**Mr H K C De Silva** Non-Executive Chairman/ Director BoC Representatives **Mr W P Russel Fonseka** Non-Executive Director **Mr M R N Rohana Kumara** Non-Executive Director **Mr K A A Karunarathne** Non-Executive Director **Mr A R F John Pulle** Non-Executive Director

Name of the Subsidiary/Associate	Present composition
BOC Property Development and Management (Private) Limited 10th Floor, BoC Merchant Tower, No. 28, St. Michael's Road, Colombo 03. Tel : 011 2301911 Fax : 011 2370606 e-mail : bocmt@bocpdml.lk	**Mr W P Russel Fonseka** Non-Executive Chairman/ Director BoC Representatives **Mr Y A Jayathilaka** Non-Executive Director **Mr G A Jayashantha** Non-Executive Director **Mr M P Ruwan Kumara** Non-Executive Director **Ms P P M Wijesekara** Non-Executive Director
Hotels Colombo (1963) Limited No. 02, York Street, Colombo 01. Tel : 011 2320320, 011 5221100 Fax : 011 2380433 e-mail : info@grandoriental.com Website : www.grandoriental.com	**Mr Ronald C Perera PC** Non-Executive Chairman/ Director BoC Representatives **Mr W P Russel Fonseka** Non-Executive Director **Mr S Sivanjan** Non-Executive Director **Ms P P M Wijesekara** Non-Executive Director **Mr Y A Jayathilake** Non-Executive Director **Ms A K T S Gnanarathna** Non-Executive Director
BOC Management & Support Services (Private) Limited (Not in operation) BoC Head Ofice Building, "BOC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01. Tel : 011 2432680	**Mr W P Russel Fonseka** Non-Executive Chairman/ Director **Mr D M A M Dissanayake** Non-Executive Director **Mr K A D Wijayawardhana** Non-Executive Director
Ceybank Holiday Homes (Private) Limited 12th Floor, BoC Head Ofice Building, "BOC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01. Tel : 011 2447845, 011 2204103-4 Fax : 011 2447845 e-mail : ceybankhh@gmail.com Website : www.ceybankholidayhomes.com	**Mr W P Russel Fonseka** Non-Executive Chairman/ Director **Ms S A J S Siriwardane** Non-Executive Director **Mr B K Gurusinghe** Non-Executive Director **Mr K A D Wijayawardhane** Non-Executive Director **Mr Y A Jayathilaka** Non-Executive Director **Ms P P M Wijesekara** Non-Executive Director (All from BoC Management)

Name of the Subsidiary/Associate	Present composition
Bank of Ceylon (UK) Limited No: 1, Devonshire Square, London EC2M 4WD, United Kingdom. Tel : +44 207 3771 888 Fax : +44 207 3775 430 e-mail : info@bankofceylon.co.uk Website : www.bankofceylon.co.uk	**Mr Ronald C Perera PC** Non- Executive Chairman/ Director **Mr W D R Swanney** Non-Executive Independent Director **Mr R England** Non-Executive/Independent Director **BoC Representatives** **Mr W P Russel Fonseka** Non-Executive/Non Independent Director **Mr S Aruna Kumara** Executive Director/ Chief Executive Officer **Mr S Samarakoon** Non-Executive Independent Director
MBSL Insurance Company Limited No. 519, T B Jayah Mawatha, Colombo 10. Tel : 011 2304500 Fax : 011 2300499 e-mail : info@mbslinsurance.lk Website : www.mbslinsurance.lk	**Mr D P K Gunasekara** Non-Executive Chairman/ Director **Mr H K D W M D K Hapuhinne** Non-Executive/Non-Independent Director **Mr H N Wijayatunga** Non-Executive/Non-Independent Director **Mr W L A Fernando** Executive/Non-Independent Managing Director **Ms P I Kandanaarachchi** Non-executive/Non-Independent Director **Mr W S R Fernando** Non-executive/Non-Independent Director **Mr W D S Liyanage** Non-executive/Non-Independent Director

Name of the Subsidiary/Associate	Present composition
Ceybank Asset Management Limited No. 85, York Street, Colombo 01. Tel : 011 7602000 e-mail : info@ceybank.com Website : www.ceybank.com	**Mr A C M Fernando** Non-Executive Chairman/ Director **Mr I C C Ferdinands** Chief Executive Officer/ Executive Director **Ms V Govindan** Non-Executive Director **Mr A D Perera** 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
Lanka Securities (Private) Limited 3rd Floor, M2M Veranda Offices, No. 34, W A D Ramanayake Mawatha, Colombo 02 Tel : 011 4706757 Fax : 011 2554942 e-mail : infor@lankasec.com Website : www.lankasecurities.com	**Ms Aamma Taseer** Non-Executive Chairman/ Director **Mr Shahbaz Ali Taseer** Non-Executive Director **Mr Shehryar Ali Taseer** Non-Executive Director **Mr K U D Gamage** Executive Director **Mr W M D K Hapuhinne** Non-Executive Director **Mr I Hafeez** Alternate Director to Ms Aamma Taseer **Mr Shehryar Ali Taseer** Alternate Director to Mr Shahbaz Ali Taseer **Ms N Minhas** Alternate Director to Mr Shahbaz Ali Taseer **BoC Representatives** **Mr R M N Jeewantha** Non-Executive Director
Transnational Lanka Records Solutions (Pvt) Ltd No. 160/16, Kirimandala Mawatha, Narahenpita, Colombo 05 Tel : 011 7574574 Fax : 011 4514588 e-mail : suneth@transnational-grp.com Website : www.transnational-grp.com	**Dr. R Jayamaha** Chairman/ 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 M R N Rohana Kumara** Non-Executive Director **Mr A R F John Pulle** Non-Executive Director

CORRESPONDENT BANKING RELATIONSHIPS BY COUNTRY

Argentina
1 Banco Supervielle

Australia
2 Australia and New Zealand Banking Group Limited
3 Bank of America, N.A.
4 Bank of Queensland Ltd.
5 Bank of Sydney Ltd
6 Citi Bank N.A.
7 Citi Bank N.A.
8 HSBC Bank Australia Limited
9 JP Morgan Chase Bank, N.A., Sydney Branch
10 National Australia Bank Limited

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

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
33 Commercial Bank of Ceylon PLC
34 Dutch-Bangla Bank PLC
35 Eastern Bank PLC
36 Export Import Bank of Bangladesh Ltd
37 Islami Bank Bangladesh Ltd
38 Jamuna Bank Limited
39 Janata Bank Limited
40 Prime Bank Ltd
41 Sonali Bank PLC
42 Standard Chartered Bank
43 The Premier Bank Limited
44 Uttara Bank PLC
45 Woori Bank, Dhaka

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

Bulgaria
54 Central Cooperative Bank
55 United Bulgarian Bank AD (KBC Bank Bulgariae AD)
56 Uni Credit Bulbank AD

Canada
57 Bank of America National Association
58 Bank of Montreal (BOFMCAM2)
59 Bank of Montreal (BOFMCAT2)
60 Canadian Imperial Bank of Commerce
61 Federation des caisses Desjardins du Quebec
62 HSBC Bank Canada
63 ICICI Bank Canada
64 Royal Bank of Canada
65 SBI Canada Bank
66 The Bank of Nova Scotia
67 Toronto Dominion Bank

Chile
68 Banco De Chile
69 Banco Bice
70 Banco De Credito E Inversiones
71 Banco Itau Chile

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
78 Bank of Communications Co. Ltd (COMMCNSH)
79 Bank of Communications Co. Ltd (COMMCN3X)
80 Bank of Hangzhou Co. Ltd (Hangzhou City Commercial Bank Co., Ltd)
81 Bank of Jiangsu Co. Ltd
82 Bank of Jining Co. Ltd
83 Bank of Nanjing (Nanjing City Commercial Bank)
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 Corporation
90 China Development Bank
91 China Everbright Bank
92 China Merchants Bank
93 China Minsheng Bank
94 COMMERZBANK AG
95 Export-Import Bank Of China
96 Hankou Bank (Wuhan Urban Commercial 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 (Laiwu City Commercial Bank Co., Ltd)
104 Linshang Bank Co. Ltd
105 Ningbo Commerce Bank
106 Ping an Bank Co., Ltd.
107 Postal Savings Bank of China
108 Qilu Bank Co., Ltd.
109 Skandinaviska Enskilda Banken AB (Publ), Shanghai Branch
110 Standard Chartered Bank (China) Limited
111 Wells Fargo Bank, NA, Shanghai Branch
112 Xiamen Bank Co., Lltd.
113 Zhejiang Tailong Commercial Bank Co., Ltd
114 Zhejiang Xiaoshan Rural Commercial Bank Company Limited

Croatia
115 Zagrebacka Banka DD

Cyprus
116 Bank of Cyprus Public Company Limited
117 Hellenic Bank Public Company Ltd.

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 Danmark, Filial Af Nordea Bank ABP, Finland
124 Sydbank A/S

Egypt
125 Albaraka Bank Egypt
126 Arab International Bank
127 Export Development Bank of Egypt
128 Faisal Islamic Bank of Egypt

129 First Abu Dhabi Bank Misr SAE (Bank Audi SAE)
130 National Bank of Egypt
131 Qatar National Bank Alahli SAE (QNB Alahli)

Estonia
132 SEB Bank AS

Ethiopia
133 Commercial Bank of Ethiopia

Fiji
134 Australia and New Zealand Banking Group Limited

Finland
135 Aktia Bank PLC
136 Danske Bank A/S, Finland Branch
137 Nordea Bank ABP
138 OP Corporate Bank PLC
139 Skandinaviska Enskilda Banken

France
140 Banque Palatine
141 Banque Wormser Freres / Banque D'escompte
142 Banques Populaires-Groupe BPCE
143 BNP-Paribas SA (Banque Nationale De Paris S.A.)
144 CM - CIC Banques
145 Commerzbank AG
146 Credit Agricole CIB
147 Credit Agricole SA
148 Credit Cooperatif
149 Credit Mutuel- CIC Banques
150 Credit Mutuel Arkea
151 HSBC Continental Europe
152 LCL (LE Credit Lyonnais)
153 Natixis
154 Societe Generale
155 Union De Banques Arabes Et Francaises

Georgia
156 JSC Bank of Georgia

Germany
157 Barclays Bank Ireland PLC, Frankfurt Branch
158 Bayerische Landesbank, Muenchen
159 Berliner Sparkasse - Landesbank Berlin AG
160 Commerzbank AG
161 Commerzbank AG
162 Commerzbank AG
163 Commerzbank AG (Dresdner Bank AG)
164 Deutsche Bank AG
165 Deutsche Bank AG
166 Deutsche Bank AG
167 Deutsche Bank AG
168 Deutsche Bank AG
169 Deutsche Bank AG
170 Deutsche Bank AG
171 Deutsche Bank AG
172 Deutsche Bank AG
173 Deutsche Bank AG
174 Deutsche Bank AG
175 Deutsche Bank AG
176 Dnb Bank Asa
177 Dz Bank AG (Formerly Wgz Bank AG)
178 Dz Bank AG Deutsche Zentral-Genossenschaftsbank
179 Dz Bank Ag Deutsche Zentral-Genossenschaftsbank, Frankfurt Branch
180 Dz Bank Ag Deutsche Zentral-Genossenschaftsbank, Stuttgart Branch
181 Frankfurter Volksbank Rhein-Main Eg
182 Hamburger Sparkasse AG
183 Hsbc Continental Europe S.a., Germany
184 J.p. Morgan Se
185 Joh. Berenberg,Gossler Und Co.kg
186 Kreissparkasse Goeppingen
187 Landesbank Baden-Wuerttemberg
188 Landesbank Hessen-Thueringen Girozentrale
189 M.m.warburg U. Co (Ag U. Co.) Kgaa
190 Mainzer Volksbank E.g.
191 Norddeutsche Landesbank Girozentrale
192 Oddo Bhf Se
193 Oldenburgische Landesbank AG
194 Sparkasse Bremen AG, Die
195 Sparkasse Freiburg-Noerdlicher Breisgau
196 Sparkasse Hannover
197 Sparkasse Pforzheim Calw
198 Standard Chartered Bank AG
199 The Bank Of New York Mellon, Frankfurt Branch
200 Unicredit Bank Ag (Hypovereinsbank)

Greece
201 Eurobank S.A.
202 National Bank of Greece S.A.
203 Piraeus Bank SA

Hong Kong
204 Banco santander, S.A. Hong Kong Branch
205 Bank of America, National Association, HK Branch
206 BNP Paribas
207 Chong Hing Bank Limited
208 Citibank N.A.
209 Commerzbank AG
210 DAH Sing Bank, Limited
211 DBS Bank (Hong Kong) Limited
212 DBS Bank Ltd, Hong Kong Branch
213 Deutsche Bank AG
214 Habib Bank Zurich (Hong Kong) Limited
215 Hang Seng Bank Limited
216 Hong kong and Shanghai Banking Corporation Limited
217 ICICI Bank Ltd
218 Indian Overseas Bank, Hong Kong
219 Intesa Sanpaolo Spa Hong Kong
220 JP Morgan Chase Bank, N.A., Hong Kong Branch
221 Mashreq Bank PSC., Hong Kong Branch
222 Mizuho Bank, Ltd. Hong Kong Branch
223 MUFG Bank, Ltd.
224 OCBC Bank (Hong Kong) Limited
225 Oversea-Chinese Banking Corporation Ltd - Hong Kong Branch
226 Shanghai Commercial Bank Limited
227 Shinhan Bank, Hong Kong Branch
228 Skandinaviska Enskilda Banken AB
229 Standard Chartered Bank (Hong Kong) Limited
230 Sumitomo Mitsui Banking Corporation
231 UBS AG Hong Kong Branch
232 Wells Fargo Bank, N.A., Hong Kong Branch

Hungary
233 MBH Bank Nyrt.
234 Raiffeisen bank zrt.

India
235 Axis Bank Limited
236 Bank of America, N.A. Mumbai
237 Bank of Baroda
238 Bank of Baroda, IFSC Banking Unit
239 Bank of India
240 Bank of Maharashtra
241 Bank of Nova Scotia
242 BNP Paribas
243 Canara Bank
244 Central Bank of India
245 Citibank N.A.
246 City Union Bank Limited
247 Credit Agricole CIB India Branch
248 DBS Bank India Limited
249 DCB Bank Limited
250 Deutsche Bank AG
251 Doha Bank Q.S.C Mumbai Branch
252 Export-Import Bank of India
253 Federal Bank Limited
254 HDFC Bank Limited
255 HDFC Bank Ltd
256 ICICI Bank Limited
257 ICICI Bank Ltd.
258 IDBI Bank Limited
259 Indian Bank
260 Indian Bank (Allahabad Bank)

CORRESPONDENT BANKING RELATIONSHIPS BY COUNTRY

261 Indian Overseas Bank
262 Indusind Bank Limited
263 Jammu and Kashmir Bank Ltd
264 JP Morgan Chase Bank, N.A., Mumbai Branch
265 Karnataka bank ltd.
266 Karur Vysya Bank Ltd.
267 Kotak Mahindra Bank Limited
268 Mashreq Bank
269 Mizuho bank, Ltd.
270 MUFG bank, Ltd.
271 Punjab and Sind Bank
272 Punjab National Bank
273 Punjab National Bank (E-OBC)
274 Punjab National Bank (E-UBI)
275 RBL Bank Ltd.
276 Shinhan Bank
277 Standard Chartered Bank
278 Standard Chartered Bank
279 State Bank of India
280 Sumitomo Mitsui Banking Corporation New Delhi Branch
281 SVC Co-Operative Bank Limited
282 Tamilnad Mercantile Bank Limited
283 The Hong Kong and Shanghai Banking Corporation Limited
284 The Kalupur Commercial Co-Operative Bank Limited
285 The Saraswat Co-Operative Bank Ltd.
286 UCO Bank
287 Union Bank of India
288 Union Bank of India (Andhra Bank)
289 Union Bank of India (Corporation Bank)
290 YES Bank Limited

Indonesia

291 Bank Central Asia
292 Bank Mandiri (Persero), PT
293 Bank Negara Indonesia - PT (Persero)
294 Citibank, N.a.
295 Indonesia Eximbank
296 Mufg Bank, Ltd. Jakarta Branch
297 Pan Indonesia Bank PT.
298 Pt Bank Dbs Indonesia
299 Pt Bank Hsbc Indonesia
300 Pt Bank Permata, TBK
301 Pt. Bank Cimb Niaga, TBK.
302 Pt. Bank Danamon Indonesia, TBK
303 Pt. Bank Rakyat Indonesia (Persero), TBK
304 Pt. Bank Sbi Indonesia
305 Pt.bank Woori Saudara Indonesia 1906 TBK
306 Standard Chartered Bank

Ireland

307 AIB Bank
308 Bank of Ireland
309 Citi Bank Europe PLC

Israel

310 Bank Hapoalim B.M.
311 Bank Leumi LE Israel B.M.
312 Citibank N.A.
313 Israel Discount Bank Ltd.
314 Mercantile Discount Bank Ltd.
315 Mizrahi Tefahot Bank Ltd.

Italy

316 Banca Del Piemonte
317 Banca Monte Dei Paschi Di Siena S.P.A.
318 Banca Nazionale Del Lavoro S.P.A.
319 Banca Popolare Dell'alto Adige/ Suedtiroler Volksbank
320 Banca Popolare Di Sondrio
321 Banca Popolare Pugliese
322 Banca Ubae SPA
323 Banco Bpm SPA
324 Banco Di Desio E Della Brianza S.P.A.
325 Bper Banca S.P.A.
326 Credit Agricole Italia S.P.A.
327 Credito Emiliano S.P.A.
328 ICCREA Banca - Istituto Centrale Del Credito Cooperativo
329 Intesa Sanpaolo SPA
330 Intesa Sanpaolo SPA (UBI Banca SPA)
331 Solution Bank SPA (Credito Di Romagna SPA)
332 Unicredit S.P.A.

Japan

333 Australia and New Zealand Banking Group Limited
334 Asahi Shinkin Bank
335 Ashikaga Bank
336 Bank of Fukuoka, Ltd.,
337 Bank of Kyoto, Ltd.,
338 Bank of Yokohama, Ltd.,
339 BNP Paribas S.A. - Tokyo Branch
340 Chiba Kogyo Bank, Ltd.,
341 Chukyo Bank, Limited,
342 Citibank N.A., Tokyo Branch
343 Commerzbank AG Tokyo
344 Deutsche Bank AG
345 Gunma Bank, Ltd.,
346 Hong Kong and Shanghai Banking Corporation Limited,
347 IYO Bank, Ltd.,
348 JOYO Bank, Ltd.,
349 Kansai Mirai Bank, Limited
350 Kiraboshi Bank, Ltd.
351 Kookmin Bank
352 Kyoto Chuo Shinkin Bank
353 Mizuho Bank, Ltd.
354 Mufg Bank, Ltd.
355 Okazaki Shinkin Bank
356 Resona Bank, Ltd., Tokyo
357 Saitama Resona Bank, Limited
358 Shiga Bank, Ltd.,
359 Shinkin Central Bank
360 Shizuoka Bank, Ltd.,
361 Standard Chartered Bank
362 Sumitomo Mitsui Banking Corporation
363 The 77 Bank Ltd.
364 Tokushima Taisho Bank Ltd
365 Wells Fargo Bank, N.A., Tokyo Branch
366 Yamanashi Chuo Bank, Ltd.
367 Yokohama Shinkin Bank

Jordan

368 Arab Bank PLC
369 Bank Aletihad
370 Bank of Jordan PLC
371 Cairo Amman Bank
372 Housing Bank for Trade and Finance
373 Investbank
374 Islamic International Arab Bank
375 Jordan Ahli Bank PLC
376 Jordan Commercial Bank
377 Jordan Kuwait Bank

Kenya

378 Absa Bank Kenya PLC

Korea

379 Busan Bank
380 Citibank Korea INC
381 Daegu Bank, LTD
382 Industrial Bank of Korea
383 JP Morgan Chase Bank, N.A., Seoul Branch
384 KEB Hana Bank
385 Kookmin Bank
386 Kwangju Bank Ltd,
387 Kyongnam Bank
388 Nonghyup Bank (National Agricultural Cooperative Federation)
389 Shinhan Bank
390 Suhyup Bank
391 Sumitomo Mitsui Banking Corporation
392 The Export-Import Bank of Korea
393 The Hong Kong and Shanghai Banking Corporation Limited, Seoul Branch
394 U.B.A.F.-Union De Banques Arabes Et Francaises
395 Woori Bank, Seoul

Kuwait

396 Boubyan Bank (K.S.C)
397 Burgan Bank K.P.S.C
398 Citi bank N.A.
399 Kuwait Finance House K.S.C.P.
400 National Bank of Kuwait S.A.K.P.

Lebanon

401 Arab Bank PLC
402 B.L.C. Bank S.A.L.
403 Bank Audi S.A.L.
404 Bank of Beirut S.A.L.
405 Bankmed, SAL
406 BBAC SAL
407 Credit Libanais S.A.L.
408 First National Bank S.A.L.
409 Fransabank SAL
410 LGB Bank SAL
411 MEAB Bank S.A.L.
412 Societe Generale De Banque Au Liban S.A.L.

Malaysia

413 Ambank (M) Berhad
414 Affin Bank Berhad
415 CIMB Bank Berhad
416 Citi bank Berhad
417 Deutsche Bank (Malaysia) Berhad
418 Hong Leong Bank Berhad
419 HSBC Bank Malaysia Berhad
420 Malayan Banking Berhad (Maybank)
421 MUFG Bank (Malaysia) Berhad
422 OCBC Bank (Malaysia) Berhad
423 Public Bank Berhad
424 RHB Bank Berhad
425 Standard Chartered Bank Malaysia Berhad
426 United Overseas Bank (Malaysia) Berhad

Maldives

427 Bank of Maldives PLC.
428 Hong Kong and Shanghai Banking Corporation Limited
429 Maldives Islamic Bank PLC.
430 State Bank of India
431 The Mauritius Commercial Bank Limited

Mauritius

432 ABC Banking Corporation Ltd
433 MauBank Ltd
434 SBM Bank (Mauritius) Ltd
435 The Mauritius Commercial Bank Limited

Mexico

436 BBVA Mexico S.A.
437 Banco Nacional De Mexico S.A.
438 Banco Santander Mexico, S.A.

Morocco

439 Attijariwafa Bank (Formerly Banque Commerciale Du Maroc)

Nambia

440 First National Bank of Namibia Limited

Nepal

441 Kumari Bank Ltd
442 Nabil Bank Limited
443 Prabhu Bank Ltd
444 Siddhartha Bank Limited
445 Standard Chartered Bank Nepal Limited

Netherlands

446 ABN Amro Bank N.V.
447 BNP Paribas S.A. - The Netherlands Branch
448 Commerzbank AG Benelux Branch
449 Deutsche Bank AG
450 Rabobank
451 Societe Generale

New Zealand

452 ANZ Bank New Zealand Limited
453 Bank of New Zealand
454 Hong Kong and Shanghai Banking Corporation Limited

Norway

455 Danske Bank A/S
456 Nordea Bank ABP, Filial I Norge
457 SpareBank 1 Nord-Norge
458 SpareBank 1 Ostlandet (Sparebanken Hedmark)
459 SpareBank 1 SMN
460 SpareBanken Moere

Oman

461 Bank Muscat SAOG
462 National Bank of Oman
463 Sohar International Bank S.A.O.G
464 Standard Chartered Bank

Pakistan

465 Allied Bank Limited
466 Albaraka Bank (Pakistan) Limited
467 Askari Bank Limited
468 Bank Al Habib Limited
469 Bank Alfalah Limited
470 Citi Bank N.A.
471 Dubai Islamic Bank Pakistan Limited
472 Faysal Bank Limited
473 Habib Bank Limited
474 Habib Metropolitan Bank Limited
475 MCB Bank Limited
476 Meezan Bank Limited
477 National Bank of Pakistan
478 Soneri Bank Limited
479 Standard Chartered Bank (Pakistan) Limited
480 Summit Bank Ltd
481 The Bank of Punjab
482 United Bank Limited

Palestine

483 Arab Bank PLC

Papua New Guinea

484 Australia & New Zealand Banking Group (PNG) Limited

Peru

485 Banco Bbva Peru
486 Banco De Credito Del Peru

Philippines

487 Asian Development Bank
488 Metropolitan Bank and Trust CO.
489 Mizuho Bank, Ltd., Manila Branch
490 Standard Chartered Bank

Poland

491 Bank Handlowy W Warszawie SA
492 Bank Millennium S.A.
493 Bank PolskaKasa OpiekiSA - Bank Pekao SA
494 BNP Paribas Bank Polska S.A.
495 PKO Bank Polski S.A.
496 Santander Bank Polska S.A. (Bank Zachodni Wbk S.A.)

Portugal

497 Banco BPI SA
498 Novo Banco, SA

Qatar

499 Ahli Bank QSC
500 Doha Bank
501 Dukhan Bank (Barwa Bank)
502 HSBC Bank Middle East Limited
503 Mashreq Bank
504 Qatar Islamic Bank
505 The Commercial Bank (PSQC)

Romania

506 Banca Transilvania S.A.
507 BRD - Groupe Societe Generale SA

Russia

508 Commerzbank (Eurasija) AO
509 Natsi N Vestprom Bank
510 Unicredit Bank AO

Saudi Arabia

511 AL Inma Bank
512 AL Rajhi Bank
513 Arab National Bank
514 Bank AL Bilad
515 Bank AL-Jazira

CORRESPONDENT BANKING RELATIONSHIPS BY COUNTRY

516 Banque Saudi Fransi
517 Riyad Bank
518 Saudi Awwal Bank (The Saudi British Bank)
519 Saudi Investment Bank
520 The Saudi National Bank

Seychelles
521 ABSA Bank (Seychelles) Limited
522 Nouvobanq

Singapore
523 Australia and New Zealand Banking Group Limited
524 Banco Santander, S.A. Singapore Branch
525 Bank of America, N.A. Singapore
526 Bank of India
527 BNP Paribas - Singapore Branch
528 Citi Bank N.A.
529 Commerzbank AG, Singapore Branch
530 Credit Agricole CIB
531 DBS Bank Ltd
532 Deutsche Bank AG
533 Emirates NBD Bank PJSC (ENBD)
534 First Abu Dhabi Bank PJSC (National Bank of Abu Dhabi)
535 ICICI Bank Limited
536 Indian Bank
537 Indian Overseas Bank
538 Intesa Sanpaolo SPA - Singapore Branch
539 JP Morgan Chase Bank, N.A.
540 Landesbank Baden-Wuerttemberg
541 Malayan Banking Berhad
542 Mizuho Bank, Ltd. Singapore Branch
543 MUFG Bank, Ltd.
544 National Bank of Kuwait SAKP
545 Natixis
546 Oversea-Chinese Banking Corporation Limited
547 Qatar National Bank (Q.P.S.C)
548 RHB Bank Berhad
549 Skandinaviska Enskilda Banken AB (PUBL)
550 Societe Generale
551 Standard Chartered Bank
552 Standard Chartered Bank (Singapore) Limited
553 State Bank of India
554 Sumitomo Mitsui Banking Corporation
555 The Hong Kong and Shanghai Banking Corporation Limited
556 U.B.A.F. - Union De Banques Arabes Et Francaises
557 UBS AG Singapore Branch
558 UCO Bank
559 Unicredit Bank AG Singapore Branch (Hypovereins Bank AG Singapore Branch)
560 United Overseas Bank Limited

Slovakia
561 Ceskoslovenska Obchodna Banka, AS
562 Nova Kreditna Banka Maribor D.D.
563 Tatra Banka A.S.
564 Unicredit Bank CZ and SK, SK Branch

South Africa
565 ABSA Bank Limited
566 Firstrand Bank Limited
567 Nedbank Limited
568 Standard Bank of South Africa Limited

Spain
569 Banco Bilbao Vizcaya Argentaria S.A.
570 Banco De Sabadell, S.A.
571 Bankinter, S.A.
572 Caixabank, S.A.
573 Unicaja Banco, S.A.

Swaziland
574 First National Bank Of Eswatini Limited

Sweden
575 Danske Bank
576 Nordea Bank Abp, Filial I Sverige
577 Skandinaviska Enskilda Banken AB
578 Swedbank AB (PUBL)

Switzerland
579 Aargauische Kantonalbank
580 Arab Bank (Switzerland) Ltd
581 Baloise Bank AG
582 Bank CIC (Switzerland) Ltd.
583 Bank Linth LLB AG
584 Banque Cantonale De Geneve
585 Banque Cantonale Vaudoise
586 Barclays Bank (Suisse) S.A.
587 Basellandschaftliche Kantonalbank
588 BNP Paribas (Suisse) SA
589 CA Indosuez (Switzerland) SA
590 Credit Suisse (Schweiz) AG
591 Entris Banking AG
592 Luzerner Kantonalbank
593 Postfinance AG
594 Schwyzer Kantonalbank (SKB)
595 Six Interbank Clearing AG
596 Thurgauer Kantonalbank
597 UBS AG
598 UBS Switzerland AG
599 Valiant Bank AG
600 Zuercher Kantonal Bank
601 Zuger Kantonal Bank

Taiwan
602 Bank of Taiwan
603 Bank Sinopac
604 Cathay United Bank
605 Chang HWA Commercial Bank ltd.
606 Citi Bank Taiwan Limited
607 DBS Bank (Taiwan) Ltd
608 E. SUN Commercial Bank Ltd.
609 First Commercial Bank
610 HSBC Bank (Taiwan) Limited
611 Hua Nan Commercial Bank, Ltd.
612 King's Town Bank
613 Mega International Commercial Bank Co., Ltd.
614 Mizuho Bank, Ltd.,Taipei Branch
615 Shanghai Commercial and Savings Bank, Ltd.,
616 Sumitomo Mitsui Banking Corporation Taipei Branch
617 Taipei Fubon Commercial Bank Co., Ltd
618 Taiwan Business Bank
619 Taiwan Cooperative Bank Ltd
620 The Bank of New York Mellon, Taipei Branch
621 Union Bank of Taiwan

Thailand
622 Bank of Ayudhya Public Company Limited
623 Bangkok Bank Public Company Limited
624 Bank of America, N.A. Bangkok
625 Bank of Ayudhya Public Company Limited, Bangkok Office
626 Citi Bank N.A.
627 Deutsche Bank AG, Bangkok Branch
628 Export-Import Bank of Thailand
629 Indian Overseas Bank (Formerly Bharat Overseas Bank Ltd.)
630 Kasikorn Bank Public Company Limited
631 Krung Thai Bank Public Company Limited
632 Mizuho Bank, Ltd., Bangkok Branch
633 Siam Commercial Bank PCL.,
634 Standard Chartered Bank (Thai) PCL
635 Sumitomo Mitsui Banking Corporation
636 The Hong Kong and Shanghai Banking Corporation Limited
637 Tmbthanachart Bank Public Company Limited
638 United Overseas Bank (Thai) Public Company Limited

Turkey
639 Akbank T.A.S.
640 Albaraka Turk Participation Bank
641 Alternatifbank A.S.
642 Burgan Bank A.S.
643 Citibank A.S.
644 Denizbank A.S.
645 Kuveyt Turk Katilim Bankasi A.S.
646 QNB Finansbank A.S.
647 Sekerbank T.A.S.
648 Turk Ekonomi Bankasi A.S.
649 Turkiye Cumhuriyeti Ziraat Bankasi A.S.

650 Turkiye Finans Katilim Bankasi A.S.
651 Turkiye Garanti Bankasi A.S.
652 Turkiye Halk Bankasi A.S. (Head Office)
653 Turkiye IS Bankasi A.S.
654 Turkiye Vakiflar Bankasi T.A.O.
655 Turkland Bank A.S. (T-Bank)
656 Yapi VeKredi Bankasi A.S.

Ukraine

657 First Ukrainian International Bank
658 JSC 'Bank Credit Dnipro'
659 JSC The State Export-Import Bank of Ukraine - JSC Ukreximbank

United Arab Emirates

660 Abu Dhabi Commercial Bank
661 Abu Dhabi Islamic Bank
662 Arab Bank For Investment And Foreign Trade
663 Axis Bank Limited, DIFC Branch (Regulated By DFSA)
664 Bank of Baroda
665 Bank of Sharjah,
666 Citi Bank N.A.
667 Commercial Bank International
668 Commercial Bank of Dubai
669 Doha Bank
670 Dubai Islamic Bank
671 Emirates Islamic Bank PJSC
672 Emirates NBD Bank PJSC
673 First Abu Dhabi Bank PJSC
674 Habib Bank AG Zurich
675 Habib Bank Limited
676 Intesa Sanpaolo SPA
677 Mashreq Bank PSC.
678 MCB Bank Limited
679 National Bank of Fujairah
680 National Bank of Kuwait (S.A.K.).
681 National Bank of Ras Al-Khaimah
682 Standard Chartered Bank
683 United Arab Bank

United Kingdom

684 Arab National Bank
685 Bank Negara Indonesia-PT (Persero) TBK, London Branch
686 Bank of America, N.A.
687 Bank of Beirut (UK) Ltd
688 Bank of Ceylon (UK) Ltd
689 Barclays Bank PLC
690 Barclays Capital
691 Canadian Imperial Bank of Commerce
692 Citi Bank N.A.
693 Clydesdale Bank PLC (Yorkshire Bank)
694 Deutsche Bank AG
695 HSBC Bank PLC
696 ICBC Standard Bank PLC (Standard Bank PLC)
697 ICICI Bank UK PLC
698 JP Morgan Chase Bank, N.A.
699 Lloyds Bank PLC
700 Malayan Banking Berhad
701 Mashreq Bank PSC
702 National Westminster Bank PLC
703 Santander UK PLC
704 Shinhan Bank London Branch
705 SMBC Bank International PLC
706 Sonali Bangladesh (UK) Limited (SBUK)
707 Standard Chartered Bank
708 State Bank of India
709 The Royal Bank of Scotland PLC
710 Wells Fargo Bank, N.A., London Branch

Uruguay

711 Banco De La Republica Oriental Del Uruguay

USA

712 Barclays Bank PLC
713 Bangkok Bank Public Company Limited, New York
714 Bank of America, N.A.
715 Bank of America, N.A.
716 Bank of America, N.A.
717 Bank of India, New York Branch
718 Bmo Harris Bank N.A. (Bank of The West)
719 BNP Paribas Sa New York Branch
720 Cathay Bank
721 Citi Bank N.A.
722 Citizens Bank, NA
723 Comerica Bank
724 Comerica Bank
725 Commerce Bank
726 Deutsche Bank Trust Company Americas
727 East-West Bank
728 Habib American Bank
729 HSBC Bank USA, N.A.
730 JPMorgan Chase Bank, N.A.
731 Keybank National Association
732 Mashreq Bank PSC., New York Branch
733 Mizuho Bank, Ltd. New York Branch
734 MUFG Bank Ltd.
735 MUFG Union Bank N.A.
736 National Australia Bank Limited
737 Nonghyup Bank, New York Branch
738 Nordea Bank ABP, New York Branch
739 PNC Bank, N.A.
740 Regions Bank
741 Shinhan Bank
742 Standard Chartered Bank
743 State Bank of India
744 Sumitomo Mitsui Banking Corporation
745 The Bank of New York Mellon
746 Truist Bank
747 Truist Bank (Suntrust Bank)
748 U.S. Bank N.A.
749 Wells Fargo Bank N.A.
750 Wells Fargo Bank, N.A.
751 Wells Fargo Bank, N.A.
752 Wells Fargo Bank, N.A.

Vietnam

753 Asia Commercial Bank
754 Citi Bank N.A.
755 Joint Stock Commercial Bank For Foreign Trade of Vietnam
756 Joint Stock Commercial Bank For Investment and Development of Vietnam
757 Mizuho Bank, Ltd.
758 Saigon Thuong Tin Commercial Joint Stock Bank (Sacombank)
759 Shinhan Bank Vietnam Limited
760 Standard Chartered Bank (Vietnam) Limited
761 Vietnam Bank for Agriculture And Rural Development
762 Vietnam Technological and Commercial Joint Stock Bank
763 Woori Bank Vietnam Limited

EXCHANGE COMPANIES BY COUNTRY

Australia

1 Cash Plus Forex Pty Ltd
2 Harbour And Hills (Former Kapruka (Pty) Ltd
3 J Forex and Traders Pty Ltd
4 Pfg Forex
5 Serendib Financial Pty Ltd

Bahrian

6 Bahrain Financing Company
7 Ezremit Ltd (BFC Bank)
8 National Finance & Exchange Co WLL
9 Zenj Exchange
10 Zenj Exchange Company WLL (Turbo Cash)

Cyprus

11 GS Cashline

France

12 Tempo - France

Israel

13 Global Remit Currency Services
14 WIC World Com Finance Limited

Italy

15 National Exchange Company SRL

Japan

16 Japan remit finance Co. Ltd
17 Unidos Co. Ltd (Kyodai Remittance)

Jordan

18 Alawaneh Exchange Co
19 Shift Financial Services Ltd

Kuwait

20 AL Ansari Exchange Co WLL
21 AL Mulla International Exchange Co WLL
22 AL Muzaini Exchange Co Ksc (Closed)
23 AL Nada International Exchange (Former Security Exchange Co WLL)
24 Aman exchange Co. WLL
25 Bahrain Exchange Co WLL
26 Citiy International Exchange Co WLL
27 Joyalukkas Exchange Co. WLL
28 Kuwait Asian International Exchange Co WLL
29 Kuwait Bahrain International Ex.
30 Kuwait India International Ex. Co
31 National Exchange Co WLL
32 National Money Exchange Co WLL
33 Oman Exchange Co Ltd
34 UAE Exchange Centre WLL
35 Wall Street Exchange Company
36 Zajil Exchange Co WLL

Lebanon

37 Srour Exchange

Malaysia

38 Merchantrade Asia SDN BHD (Metro)

Oman

39 Gulf Overseas Exchange Co LLC
40 Hamdan Exchange
41 Joyalukkas Exchange (Former Majan Exchange LLC)
42 Lulu Exchange Co LLC (Former Asia Express Exchange)
43 Modern Exchange Co LLC
44 Musandam Exchange
45 Mustafa Sultan Exchange Co LLC
46 Oman International Exchange LLC
47 Purshottam Kanji Exchange Co LLC
48 Unimoni Exchange LLC (Former Oman & UAE Exchange Centre Co LLC)

Qatar

49 AL Dar For Exchange Works
50 AL Fardan Exchange Co WLL
51 AL Jazeera Exchange
52 AL Mana Exchange WLL
53 AL Sadd Exchange
54 AL Zaman Exchange WLL
55 AL-Mirqab Exchange CO.
56 Arabian Exchange Company WLL
57 City Exchange Co.WLL
58 Eastern Exchange EST
59 Gulf Exchange Company
60 Habib Qatar International Exch. LTD
61 Islamic Exchange
62 National Exchange Co WLL (Formerly AL Shaibei Exchange Co)

Singapore

63 HBZ International Exchange Co (Metro) (Singapore) Pvt LTD
64 Mustafa Foreign Exchange (Metro)

Switzerland

65 Motherhouse GMBH (Metro)

Spain

66 Small World Financial Services Spain SAU

UAE

67 AL Ahalia Money Exchange Bureau Abu Dhabi
68 AL Ansari Exchange Est Abu Dhabi
69 AL Fardan Exchange Abu Dhabi
70 AL Rostamani International Exchange (Formerly Thomas Cook AL Rostamani Exch. Co.) - Dubai
71 Delma Exchange - Abu Dhabi
72 Emirates India International Exchange Company - Dubai
73 Federal Exchange
74 Index Exchange Co LLC - Abu Dhabi
75 Joyalukkas Exchange Dubai
76 Lari Exchange Establishment - Abu Dhabi
77 Lulu International Exchange LLC - Abu Dhabi
78 Orient exchange Co. LLC - Dubai
79 Redha AL-Ansari Exchange Est - Dubai
80 UAE Exchange Centre - Abu Dhabi
81 Wall Street Exchange Centre - Dubai
82 Xpress Money Services Limited - Abu Dhabi

UK

83 AN Express LTD
84 Global Exchange LTD
85 NEC Money Transfer Limited
86 SGS Corperation (Former Sigue Global Services LTD)
87 Stonex Former Intl Fc Stone LTD (IFL)
88 Transfer To Mobile Financial Services
89 Worldremit

USA

90 Mastercard transactions (US) LLC
91 Moneygram
92 Prabhu Group INC
93 RIA Financial Services (Continental Exchange Solutions INC)
94 Western Union

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.

GLOSSARY OF FINANCIAL/ BANKING TERMS

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 Rs. 500 Bn. 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.

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.

GLOSSARY OF FINANCIAL/ BANKING TERMS

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, non-redeemable 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

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 Centre,
Echelon Square, Colombo 01,
Sri Lanka.

Tel : +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 11 220 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.

Tel : +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.

Tel : +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.

Tel : +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.

Tel : +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.

Tel : +94 11 234 6844, 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.

Tel : 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.

Tel : +94 11 220 3750-57,
244 5792, 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.

Tel : +94 11 220 5030, 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.

Tel : +94 11 2448830, 2203607
Fax : +94 11 2448207
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.

Tel : +94 11 2447831, 2203880
Fax : +94 11 2346841
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.

Tel : +94 11 2394310, 2203310
Fax : +94 11 2542170
Email : agmtradefinance@boc.lk

Branch Code : 660

Foreign Circle

Catering to expatriates and srilankans working overseas

9th Floor, Bank of Ceylon Head Office,
"BOC Square", No. 01,
Bank of Ceylon Mawatha, Colombo 01,
Sri Lanka.

Tel : +94 11 2321162, 5969900
Email : fce@boc.lk

SME Circle

Providing information 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.

Tel : +94 11 2441999, 2204525
Email : smeonline@boc.lk

BOC Export Circle

Facilitate end to end financial end 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.

Tel : +94 11 2541945, 2203280
Email : exportcircle@boc.lk

Overseas Branches

Male Branch

"Aage" No. 12, Boduthakurufaanu Magu,
Henveiru, Male. 20094,
Republic of Maldives.

Tel : +960 3323045, 3020500
Email : agmmale@boc.lk
SWIFT Code : BCEYMVMV

Branch code : 632

Hulhumale Branch

Teak Unit 1, Amin Avenue, Hulhumale,
Republic of Maldives.

Tel : +960 3350921, 3350923
Fax : +960 3350924

Chennai Branch

No. 20/21, Casa Major Road,
New No. 2 (Old No. 11), Zerat Garden,
2nd Lane, Egmore,
Chennai 600 008,
India.

Tel : +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.

Tel : +248 467 3608, 467 3609
Email : agmseychelles@boc.lk
SWIFT Code : BCEYSCSC

Branch Code : 807

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.

Tel : +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 December 2016/December 2024 series and December 2023/December 2028 series with fixed and floating interest rates are listed on Colombo Stock Exchange.

Local Ratings
National long-term rating: A (lka) stable
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
Investment Banking Division
Bank of Ceylon
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Mr R M Priyantha Rathnayake
Prof. Kithsiri M Liyanage
Mr Naresh Abeyesekera
Mr Jehaan Ismail
Mr Jayamin Pelpola

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

Audit Committee
Mr Naresh Abeyesekera (Chairman)
Mr R M Priyantha Rathnayake
Prof. Kithsiri M Liyanage
Mr Jehaan Ismail

Integrated Risk Management Committee
Mr Jehaan Ismail (Chairman)
Mr R M Priyantha Rathnayake
Mr Naresh Abeyesekera
Mr Jayamin Pelpola

Human Resources and Remuneration Committee
Mr Jehaan Ismail (Chairman)
Mr R M Priyantha Rathnayake
Prof. Kithsiri M Liyanage
Mr Jayamin Pelpola

Nomination and Corporate Governance Committee
Mr Jehaan Ismail (Chairman)
Mr Kavan Ratnayaka
Mr Jayamin Pelpola

Information and Communication Technology Committee
Prof. Kithsiri M Liyanage (Chairman)
Mr R M Priyantha Rathnayake
Mr Naresh Abeyesekera
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For clarifications on the Report, please contact
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This Annual Report is conceptualised, designed and produced by Redworks.



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