

CHANGING THE WAY PEOPLE LIVE



BANK OF CEYLON
BOC
Bankers to the Nation

BANK OF CEYLON | ANNUAL REPORT 2021



Online references:

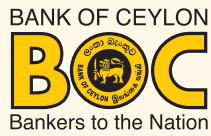
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CHANGING THE WAY PEOPLE LIVE

Every day across this island, Bank of Ceylon is changing the way people live. For over 82 years we have served the people of Sri Lanka with the stability, expertise and resilience that has come to symbolise our legacy an enduring testament of the value and trust that you, our stakeholders, have placed in us. Our success is not measured simply by numbers, but by the individual success of the people who have placed their confidence in our ability to bring about change in their own lives.

In all corners of this nation, we have been an integral part of bringing people and communities the services that matter most to them, digitalising our systems and reaching out with support for businesses and individuals to help drive their own visions of success towards a better tomorrow.



“Bankers to the Nation”

VISION

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

MISSION

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

VALUES

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

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

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ABOUT THIS REPORT



WELCOME TO BOC'S NINTH INTEGRATED ANNUAL REPORT

Our 2021 Annual Report reports on the progress we have made in achieving our strategic objectives during the period from 1 January 2021 to 31 December 2021. Themed 'Changing the Way People Live' the Report provides an overview of our triple bottom line performance, with emphasis on how we created value for all our stakeholders and the broader economy. BoC adopts an annual reporting cycle, and this Report builds on the previous Annual Report for the year ending 31 December 2020.

INTEGRITY OF INFORMATION

We apply a combined assurance model to ensure the credibility and integrity of our external reporting. The Audit Committee and Internal Audit functions are responsible for ensuring the effectiveness of the Group's financial reporting processes and relevant internal controls, while external assurance on the consolidated financial statements has been given by the National Audit Office. Sustainability information published in the Annual Report has been externally assured by Messrs. KPMG. There have been no major restatements of any non-financial information published last year.

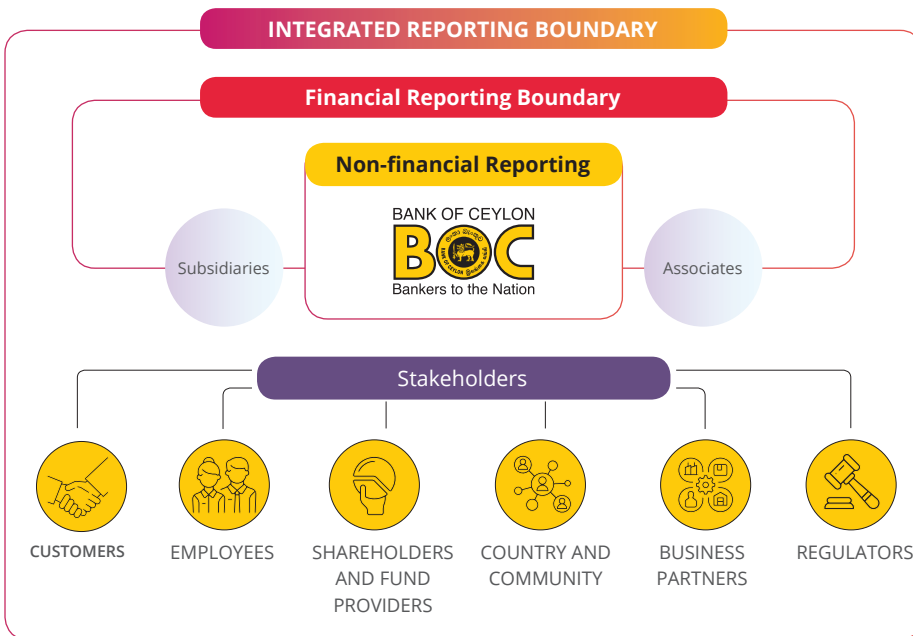
BoC's Corporate Management team is accountable to the Board for preparing this Integrated Report. The Report has been prepared using inputs from the leadership team, cross-functional internal information and other relevant external information.

REPORTING BOUNDARY

The Report covers the domestic and overseas operations of the Bank of Ceylon ("BoC" or "the Bank") and its subsidiaries (collectively referred to as "the Group"). The financial information presented in this Report represents consolidated information while the non-financial information is limited to that of the parent entity, given its dominance within the Group. The reporting boundary remains unchanged compared to the previous year without any significant changes to the Group's size, structure or supply chain other than the disposal of Sub-subsidiary Koladeniya Hydropower (Private) Limited, increase in the shareholding of Merchant Bank of Sri Lanka through an investment on the Right issue to 84.56% and transfer of shareholding held by BOC Management Support Services (Private) Limited on Ceybank Holiday Homes (Private) Limited to BOC Property Development and Management (Private) Limited.

PRECAUTIONARY PRINCIPLE

Even though not formally adopted BoC adopts a precautionary approach in ensuring that its investments and operations do not cause environmental degradation of any form.



“We apply a combined assurance model to ensure the credibility and integrity of our external reporting. The Audit Committee and Internal Audit functions are responsible for ensuring the effectiveness of the Group’s financial reporting processes and relevant internal controls, while external assurance on the consolidated financial statements has been given by the National Audit Office.”

REPORTING FRAMEWORKS

- ▶ Sri Lanka Accounting Standards issued by CA Sri Lanka
- ▶ <IR> Framework of the International Integrated Reporting Council
- ▶ This report has been prepared ‘in accordance’ - GRI Core guidelines
- ▶ Industry Standard for Commercial Banks published by the Sustainability Accounting Standards Board (SASB)
- ▶ ESG Reporting Framework of the CSE
- ▶ Gender Parity Reporting Framework of CA Sri Lanka
- ▶ Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2017)
- ▶ Listing Rules of the Colombo Stock Exchange
- ▶ Bank of Ceylon Ordinance No.53 of 1938 and amendments
- ▶ Banking Act No.30 of 1988 and subsequent amendments
- ▶ Guidelines issued by CBSL and CSE listing requirements on Financial Statements and other disclosures for Licensed Commercial Banks

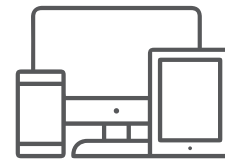
REPORTING IMPROVEMENTS

- ▶ Increased focus on stakeholder value and impacts reflecting the Bank’s overall approach to strategy and value creation during the year.
- ▶ Adoption of Standards for Commercial Banks published by Sustainability Accounting Standard Board (SASB)
- ▶ Improved connectivity to the capitals prescribed by the <IR> Framework through the use of signposting and navigation icons

FEEDBACK

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

Scan the QR code with your smart device or login to <https://www.boc.lk/>



NAVIGATION ICONS

STAKEHOLDERS



CUSTOMERS



EMPLOYEES



SHAREHOLDERS AND FUND PROVIDERS



COUNTRY AND COMMUNITY



BUSINESS PARTNERS



REGULATORS

CAPITALS



FINANCIAL CAPITAL



MANUFACTURED CAPITAL



HUMAN CAPITAL



SOCIAL AND RELATIONSHIP CAPITAL



INTELLECTUAL CAPITAL



NATURAL CAPITAL

STRATEGIC PILLARS



CUSTOMER CENTRICITY



DIGITAL EXCELLENCE



REWARDING CREDIT CULTURE AND HEALTHY CREDIT PORTFOLIO



BUILDING A HIGH-PERFORMING TEAM



STABILITY, GOVERNANCE AND SUSTAINABLE GROWTH

OUR APPROACH TO INTEGRATED THINKING

BoC's integrated approach towards strategy formulation has enabled it to proactively respond to emerging challenges presented by the internal and external operating landscape.

DETERMINING MATERIAL ISSUES

Issues that could potentially have a significant impact on our ability to create value, our social licence to operate and stakeholder relationships.

Our operating context

Risks and opportunities presented by the operating environment, including the unprecedented challenges stemming from the COVID-19 pandemic (Page 38)

Stakeholder considerations

Matters of interest to stakeholders identified through our numerous engagement platforms (Page 39)

Internal strengths/weaknesses

The Bank's inherent strengths and weaknesses which directly impacts its ability to drive strategy (Page 42)

STRATEGY FORMULATION

Our strategy is aimed at transforming BoC to a future-fit, agile and sustainable bank while maintaining market leadership and driving socio-economic value creation.

WHERE WE WANT TO BE

- ▶ Excellence in Customer Service
- ▶ Leading the Digital Adoption
- ▶ Retaining Market Leadership
- ▶ Best in Sustainable Banking

STRATEGIC ENABLERS

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

RESOURCE ALLOCATION

Deployment of resources and relationships to drive strategy through a formal decision-making framework (Page 44)



FINANCIAL CAPITAL



MANUFACTURED CAPITAL



HUMAN CAPITAL



SOCIAL AND RELATIONSHIP CAPITAL



INTELLECTUAL CAPITAL



NATURAL CAPITAL

DELIVERING STRATEGY THROUGH OUR BUSINESS LINES



Retail Banking
(Page 56)



Corporate and Offshore Banking
(Page 58)



International, Treasury, Investment and Overseas Operations
(Page 60)

MANAGING RISKS

A systematic and proactive approach to managing risks enables the Bank to consistently drive stakeholder value creation while safeguarding our financial performance and stability (Page 99)

STAKEHOLDER OUTCOMES



CUSTOMERS

Relevant solutions and service excellence through convenience, innovation and responsible banking (Page 62)



EMPLOYEES

A dynamic and inclusive workplace providing ongoing opportunities for skill and career development (Page 68)



SHAREHOLDERS AND FUND PROVIDERS

Generation of sustainable returns commensurate with risk undertaken (Page 73)



COUNTRY AND COMMUNITY

Contribute towards the country's national development agenda (Page 74)
Drive positive and meaningful socio-economic change (Page 75)



BUSINESS PARTNERS

Create opportunities for mutual growth (Page 78)



REGULATORS

Ensure full compliance to relevant regulatory and statutory requirements (Page 79)

ABOUT US

BANKERS TO THE NATION

Bank of Ceylon is Sri Lanka's leading licensed commercial bank, accounting for 25% of the industry's loans and advances and 23% of deposits in 2021. As a fully state-owned, Domestic Systemically Important Bank, the Bank is interwoven to the socio-economic fabric of Sri Lanka and been a catalyst in driving financial empowerment and economic growth for over eight decades.

In addition to its extensive reach across Sri Lanka, BoC operates three branches in India, Maldives and Seychelles, a limited-service branch in Hulhumale and a fully owned subsidiary in London, UK.

BUSINESS LINES



LKR 3.8 trillion Total Assets	LKR 2.9 trillion Total Deposits
LKR 2.6 trillion Total Advances	LKR 43.2 billion Profit Before Tax
17.8% Capital Adequacy Ratio	LKR 200.8 billion Equity
8,337 Employees	14.4 million Customers
801 Correspondent relationships	2,071 Customer contact points

OUR MARKET POSITION

- 22%**
Share of industry assets

- 25%**
Share of industry loans and advances

- 23%**
Share of industry deposits

- 65%**
Customer penetration

- 41%**
Share of worker remittances

BOC'S COMPETITIVE ADVANTAGE

- Market leader in assets, deposits, loans and advances

- Trust and confidence created by being a fully State-owned bank

- Sri Lanka's leading financial services brand

- Unmatched customer penetration rate of over 65%

- Unparalleled geographical reach through over 2,000 customer contact points across the island

- Commitment to social and environmental sustainability

- Robust corporate governance frameworks and practices

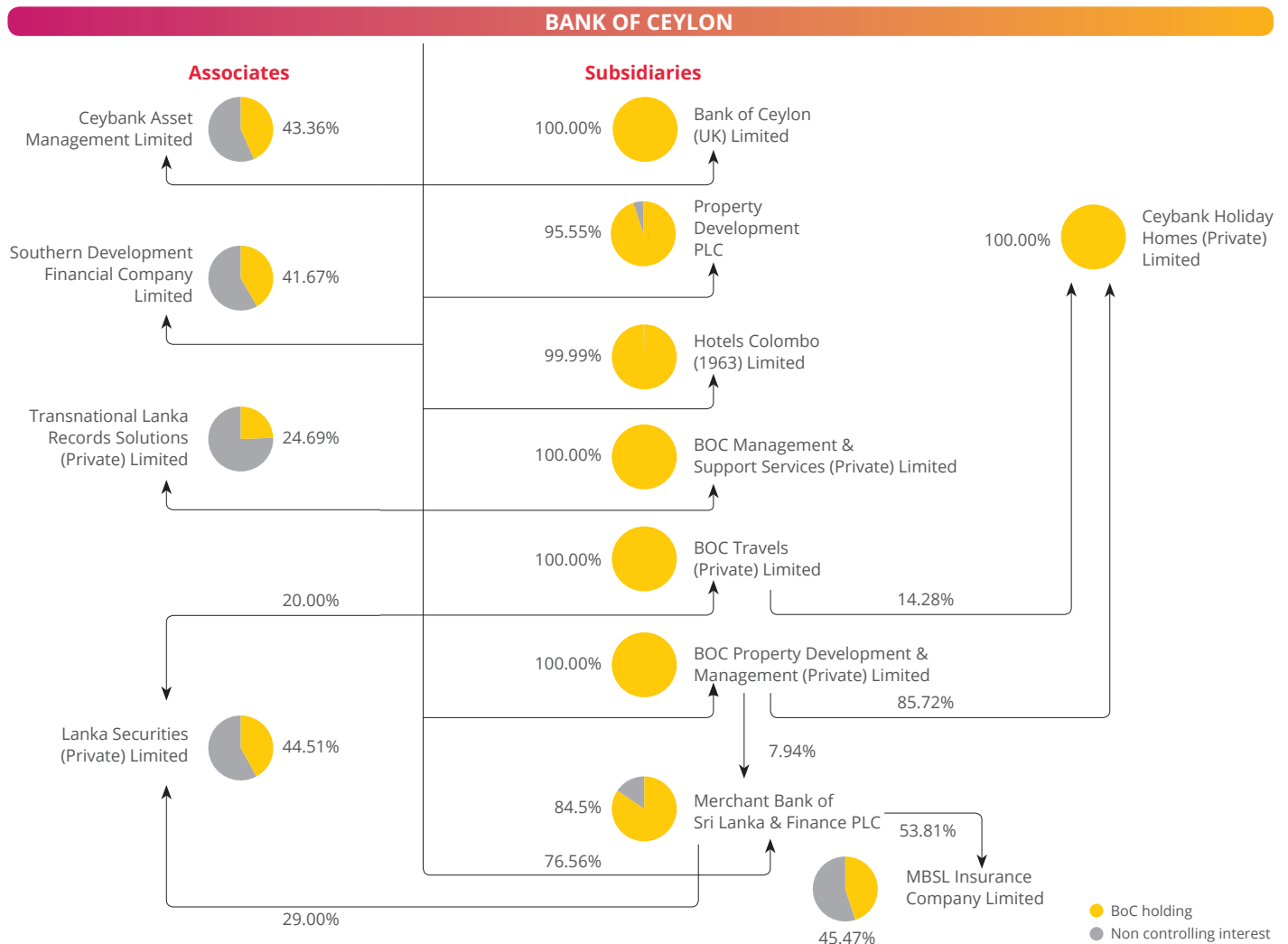
ABOUT US

OUR REACH

BoC has consistently maintained its position as Sri Lanka’s largest bank as measured by assets, deposits and loans and advances. Our customer penetration is supported by a network of over 2,000 direct contact points, including fully-fledged, limited service and mobile branches, SME centres, ATMs, CDMs and CRMs spread across all provinces. Apart from Sri Lanka we do also operate branches in Maldives, Seychells and India.

	BRANCHES	LIMITED SERVICES BRANCHES	MOBILE BRANCHES	ATM/CDM/CRM	SME CENTRES
Central Province	65	7	1	148	2
Eastern Province	55	3	1	93	1
North Central Province	50	3	1	117	1
Northern Province	63	6	1	103	1
North Western Province	57	4	1	138	2
Sabaragamuwa Province	49	2	1	123	2
Southern Province	65	3	1	167	3
Uva Province	42	3	1	98	2
Western Province	132	33	2	407	1
Overseas Operations	3	1	-	6	-
Total	581	65	10	1,400	15

GROUP STRUCTURE



PERFORMANCE HIGHLIGHTS

	Bank			Group		
	2021	2020	Change %	2021	2020	Change %
Results of Operations (LKR million)						
Total income	290,362	247,164	17.5	297,621	252,756	17.8
Net interest income	111,252	74,776	48.8	114,990	77,203	48.9
Profit before taxes on financial services	52,217	29,010	80.0	53,843	27,627	94.9
Profit before tax	43,190	23,552	83.4	44,637	22,246	100.7
Profit after tax	37,590	17,765	111.6	38,683	16,307	137.2
Value to the Government	20,710	15,556	33.1	21,433	15,709	36.4
Financial Position (LKR million)						
Total assets	3,803,284	2,982,981	27.5	3,847,950	3,024,774	27.2
Gross loans and advances	2,576,668	2,115,205	21.8	2,612,567	2,148,747	21.6
Total investment	1,116,744.3	779,225.8	43.3	1,123,677.3	786,099.1	42.9
Deposits due to customers	2,866,894	2,474,775	15.8	2,886,237	2,493,110	15.8
Total liabilities	3,602,524	2,826,322	27.5	3,632,553	2,855,817	27.2
Total equity	200,760	156,659	28.2	215,397	168,957	27.5
Per Share Data (LKR)						
Basic earnings per share	1,504	711	111.6	1,540	674	128.5
Net assets value per share	8,030	6,266	28.2	8,552	6,708	27.5
Performance Ratios (%)						
Return on average assets	1.3	0.9	0.4	1.3	0.8	0.5
Return on average equity	21.0	11.9	9.1	20.1	10.1	10.0
Interest margin	3.3	2.8	0.5	3.4	2.8	0.6
Cost to income	32.0	37.0	(5.0)	33.2	39.4	(6.2)
Loans to deposits	89.9	85.5	4.4	90.5	86.2	4.3
Debt to equity	51.0	35.4	15.6	-	-	-
Impairment provision as a percentage of gross loans and advances	6.3	6.0	0.3	6.4	6.1	0.3
Impaired loans (Stage 3)	5.1	5.0	0.1	-	-	-
Impairment (Stage 3) to stage 3 loans	49.1	50.1	(1.0)	-	-	-
Statutory Ratios (%)						
Liquid assets ratio (Domestic) (minimum requirement 20%)	25.0	26.6	(1.6)	-	-	-
Liquidity coverage ratio (LKR) (minimum requirement 2021 - 100%, 2020 - 90%)	169.3	190.0	(20.7)	-	-	-
Liquidity coverage ratio (All currency) (minimum requirement 2021 - 100%, 2020 - 90%)	111.5	137.0	(25.5)	-	-	-
Capital Adequacy Ratios (%)						
Common Equity Tier I Capital (Minimum requirement - 2021 - 8.50%, 2020 - 7.50%)	12.9	10.1	2.8	12.8	10.2	2.6
Tier I capital (Minimum requirement - 2021 - 10.00%, 2020 - 9.00%)	14.3	11.2	3.1	14.1	11.3	2.8
Total Capital (Minimum requirement - 2021 - 14.00%, 2020 - 13.00%)	17.8	14.9	2.9	17.6	14.9	2.7

NON-FINANCIAL HIGHLIGHTS

SOCIAL PERFORMANCE



EMPLOYEE VALUE CREATION

8,337 ↓
Employees

99.5% ↓
Retention rate

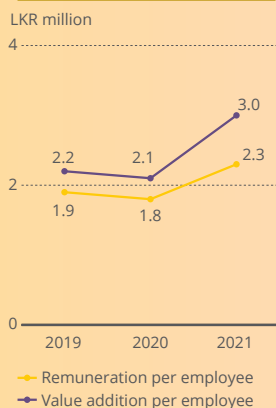
LKR 25.0 billion ↑
Investment on employees

729 ↑
Promotions

176,418 man hours ↓
Total training hours

LKR 64.1 million ↑
Investment in training

Remuneration Vs. Value addition per employee



CUSTOMER VALUE CREATION



671
Physical contact points



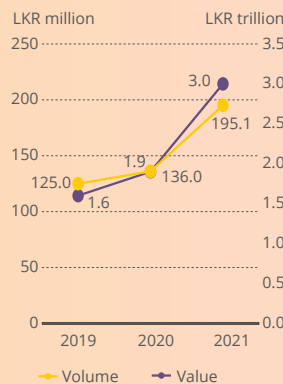
1,400 ↑
Digital contact points

1:2 ratio between physical and digital contact points

195.1 million ↑
Digital transactions (volume)

43% ↑
Increase in digital transactions

Growth in Digital Transactions



ECONOMIC PERFORMANCE



LKR 130.5 billion ↑
Loans granted to the SME Sector

16
Businesses revived (No.)



LOANS GRANTED

LKR 461.5 billion ↓
Net loans granted





ECONOMIC VALUE CREATION

LKR 20.7 billion ↑

Value to the Government

Forex inflow

USD 3.6 billion ↑

Inward remittances

USD 237.3 million ↑

Interest income earned in foreign currency

FINANCIAL INCLUSION

LKR 16.0 billion ↑

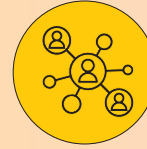
Micro-financing portfolio

1,486

Contact points outside Western Province



ENVIRONMENTAL PERFORMANCE



ENVIRONMENTAL VALUE CREATION

832 ↑

Loans assessed for social and environmental practices

12

Branches constructed as per the green building standards

3,631.3 tCo₂eqv. ↑

Scope 1 emissions

13,478.5 tCo₂eqv. ↑

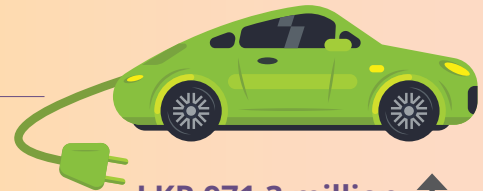
Scope 2 emissions

7,900.6 tCo₂eqv. ↑

Scope 3 emissions

51

Branches converted to solar

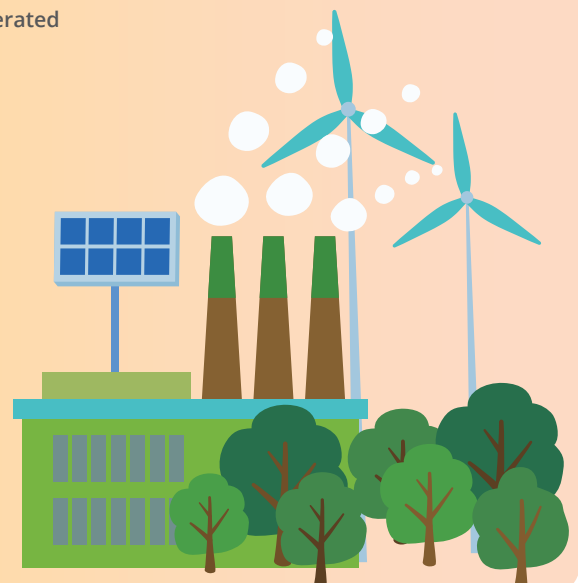


LKR 971.3 million ↑

Green lending during the year

1,757.5 Mwh ↓

Solar power generated during the year



↑ ↓
Y-o-Y Trend

CHAIRMAN'S MESSAGE



Kanchana Ratwatte
Chairman

“I am extremely proud of the role played by BoC in stabilising the country's economic fundamentals while creating value for our diverse stakeholders in 2021.”

I write to you at the close of what has been a uniquely challenging year for governments, organisations and communities around the world. As Sri Lanka's leading financial intermediary, Bank of Ceylon has always embraced its responsibility in putting the country first, as we are cognizant of the critical interdependencies that exist between our economy, the well-being of our citizens and the Bank. Against this backdrop, I am extremely proud of the role played by BoC in stabilising the country's economic fundamentals while creating value for our diverse stakeholders in 2021. It is my pleasure and privilege to present BoC's Annual Report and Audited Financial Statements for 2021.

THE OPERATING LANDSCAPE

As Sri Lanka faced the second and third waves of COVID-19 in 2021, businesses showed a high-level of adaptability to operating in conditions of limited mobility by leveraging lessons learned in 2020. This was supported by the Government's continued efforts to aid affected businesses through extending moratorium periods, concessions for selected industry sectors and adopting an expansionary monetary policy with a view to stimulating demand. Pandemic-led disruptions to the country's tourism sector and moderation in remittance inflows led to inevitable pressure on Sri Lanka's external position; a temporary challenge which the Government has sought to address through strategic and timely interventions. Towards the second half of the year, the Central Bank of Sri Lanka sought to tighten monetary policy in order to support continued macro-economic stability; accordingly, the SRR, Bank rate, SDFR and SLFR were increased during the third quarter of 2021.

AN IMPACTFUL STRATEGY

The Bank's strategic imperatives for 2021 reflected our commitment to balancing the diverse interests of our stakeholders, while contributing towards the country's socio-economic stability and business revival. Despite periodic lockdowns, BoC offered uninterrupted services to its island-wide customers, ensuring access to essential banking services across the Bank's extensive network of touchpoints. Parallel importance was placed on safeguarding the health and well-being of our employees and the Bank introduced a range of stringent preventive measures to minimise the risk of cross infection. We also continued to offer transport facilities, medical coverage for COVID-19 related hospitalisation, access to interim care facilities and special quarantine leave among others, for the welfare of staff and their family members.

“We firmly believe that SMEs will be the engine of growth underpinning Sri Lanka's economic recovery. During the year, strategic focus was placed on fuelling the growth of this sector through offering a holistic value proposition extending beyond mere financial support. Accordingly, the Bank offered multi-faceted advisory services including capacity building, guidance on market access and opportunities for networking, among others.”

Strategic emphasis was placed on rehabilitating businesses that were affected by the pandemic, with the aim of ensuring the survival and continued economic contribution of these enterprises. A dedicated Business Revival Unit has been established with the aim of reviving affected corporates and SMEs through providing new facilities and enhancing internal capabilities. To date this Unit has rehabilitated over 16 customers, thereby securing the livelihoods of over 4,900 individuals employed in these enterprises. BoC also continues to be at the forefront of extending moratoria for affected businesses and individuals, with over 97,000 facilities were granted moratoria of around LKR 380.6 billion during the year.

We firmly believe that SMEs will be the engine of growth underpinning Sri Lanka's economic recovery. During the year, strategic focus was placed on fuelling the growth of this sector through offering a holistic value proposition extending beyond mere financial support. Accordingly, the Bank offered multi-faceted advisory services including capacity building, guidance on market access and opportunities for networking, among others. Meanwhile, we disbursed over LKR 17.8 billion through the 'Divi Udana' scheme a dedicated loan scheme targeted at empowering the SME sector. The Board of Directors and the Corporate Management Team were actively

involved in this endeavour and had the opportunity to engage directly with the Bank's valuable SME customers across the country, understand their concerns and aid them through offering pragmatic solutions.

During the year, BoC's socio-economic impact was further amplified by the role it played in facilitating the importation of essential items to the country. Despite the challenging foreign currency position, the Bank stepped up efforts to ensure the continued importation of fuel, pharmaceuticals and gas, thereby being a driving force behind uninterrupted economic activity in the country. It is noteworthy that the Bank has financed USD 1,460.0 million during the year to import fuel to the country. I am also extremely proud of the role BoC played in combating the COVID-19 pandemic in Sri Lanka, as the Bank has financed USD 138.0 million for vaccine importation, which in turn has enabled Sri Lanka to achieve a relatively high vaccination rate. Importation of these essential items were made possible by BoC's ability to leverage its market leadership position in remittances to facilitate critical forex inflows to the country. Despite a reduction in overall remittances to Sri Lanka, BoC successfully increased its remittances by 29%, attesting to the strength of our relationships and presence in strategic locations.

CHAIRMAN'S MESSAGE

“While the inevitable short-term challenges are likely to prevail, we remain confident of the remarkable resilience of the Sri Lankan people. I am optimistic that measures adopted by the Government will drive the country's economic revival, positioning the country to achieve its full potential in the medium-to-long term.”

LKR 17.8 billion

Funding via 'Divi Udana' loan scheme in year 2021

We are cognizant of the vital importance of addressing Sri Lanka's external sector vulnerabilities through sustainable, long-term solutions. In supporting this agenda, BoC has in recent years placed strategic focus on strengthening Sri Lanka's SME exporters through 'BoC Export Circle' - a unique initiative which provides exporters a platform for effective networking opportunities and capacity building in addition to financial support. In 2021, 80 new SME level exporters were supported through this initiative, and 351 exporters were supported through awareness programmes conducted across the country.

The Bank was an active contributor to the national effort to combat the pandemic, sponsoring the call centre of the COVID-19 Integrated Home-based Care Solution implemented by the Ministry of Health. This solution comprised a toll-free trilingual hotline and an integrated digital platform to effectively manage the home care of infected persons. This reduced the burden to the hospital sector and front-line workers, providing an effective platform to manage non-critical patients remotely.

LKR 380.6 billion

Amount of moratoria granted during the year

PERFORMANCE AND STABILITY

Despite the challenges posed during the year, the Bank continued to deliver on its shareholder commitments. Profit for the year increased to a record high of LKR 43.2 billion, thereby enhancing the Bank's capitalisation through higher profit retention. We understand that in times of uncertainty, stability of the balance sheet is critical, and the Board focused on enhancing capitalisation to support our growth aspirations and fulfil customers' needs. Accordingly, the Bank raised Tier I capital of LKR 3.4 billion and Tier II capital of LKR 5.2 billion during the year, thereby enhancing its Tier I and total capital ratios to 14.3% and 17.8% respectively. These levels remain comfortably above the regulatory minimum, providing a cushion against potential stress in 2022. BoC also successfully obtained USD 90.0 million funding line from Asian Infrastructure Investment Bank (AIIB) principally to support businesses affected by the COVID-19 pandemic.

LEADERSHIP AND GOVERNANCE

Effective and agile leadership has been a critical factor in ensuring the Bank's resilience during the year as BoC's strong policy frameworks and clearly defined procedures offered a solid foundation for driving strategy. The Board remained unchanged in 2021, thereby ensuring continuity of vision, collective thinking and strategic alignment. Key areas of Board focus during the year included, embedding sustainable lending principles through approval of a new Environment Social Management System (ESMS) Policy, strengthening credit risk management frameworks and proactively monitoring emerging developments in the operating landscape.

WAY FORWARD

While the inevitable short-term challenges are likely to prevail, we remain confident of the remarkable resilience of the Sri Lankan people. I am optimistic that measures adopted by the Government will drive the country's economic revival, positioning the country to achieve its full potential in the medium-to-long term. As Bankers to the Nation, BoC is committed towards supporting the Government's national development agenda through strengthening the country's SME and export sectors, building capacity and encouraging local manufacturers to expand overseas. Integrating social and environmental consciousness into our strategy, operations and decision making will be a key priority for 2021 as we fulfil our role as a responsible corporate citizen.

APPRECIATION

I would like to take this opportunity to extend my deepest gratitude to His Excellency the President, the Honourable Prime Minister and the Honourable Minister of Finance for their continued guidance and confidence placed in me. I also thank the Governor and Officials of the Central Bank of Sri Lanka, the Secretary to the President and the Secretary to the Treasury for their valuable guidance. I also extend my appreciation to my colleagues on the Board for their valuable counsel and contribution during the year. My best wishes go out to Mr Jayampathy Molligoda who resigned from the Board with effect from 1 February 2022. I take this opportunity also to thank Mr D P K Gunasekera who retired as the General Manager/CEO of BoC after over 40 years' service to the Bank. I welcome the new General Manager/CEO Mr K E D Sumanasiri and look forward to working with him in the future. I am inspired by the efforts and dedication of the BoC leadership team and all employees who delivered the results set out in this Report despite numerous external challenges. Finally, I would like to thank our valuable customers, business partners and other stakeholders for their continued loyalty and support.



Kanchana Ratwatte
Chairman

24 February 2022
Colombo

GENERAL MANAGER'S REVIEW



K E D Sumanasiri
General Manager

“Driving transformation through digital capabilities is a key pillar of the Bank’s future-proofing strategy and we continued to make significant progress in digitally enabling our customers.”

Two years after the outbreak of the pandemic, COVID-19 remains a part of our operating landscape, with many countries, including Sri Lanka, seeing the lingering effects of the pandemic’s socio-economic scarring. Against this backdrop, BoC has continued to play a vital role in driving the country’s economic revival, absorbing broad-based shocks and deepening its socio-economic relevance through extending much needed support to businesses, households and the Government. Amid extremely challenging conditions, we continued to make the tough decisions necessary to stabilise the country’s macro-economic fundamentals while enhancing the resilience of our business and generating triple bottom line value. Despite the conditions that prevailed, BoC delivered a year of record profitability and growth, while strengthening its balance sheet and capital position. The Bank maintained its undisputed market leadership in Sri Lanka’s financial sector and was recognised as Bank of the Year – Sri Lanka 2021 by ‘The Banker’ Magazine, UK.

As we evolved our thinking to ensure business continuity, I am extremely proud of the way the BoC team has embraced new ways of working, successfully extending continued support to address critical issues facing the country. Fuelling the recovery of the country's small-and medium-sized enterprises continued to be a key priority, as the Bank disbursed over LKR 1.6 billion to revive these priority sectors. These efforts have ensured the commercial survival of numerous SMEs, safeguarding the employment and livelihoods of many individuals across the country. We continued to work hand in hand with customers in rehabilitating affected businesses, positioning them for long-term stability and sustainability. BoC also played an unparalleled role in ensuring the continued importation of essential items such as fuel, gas, medicines and vaccinations to the country. We also aligned with the Government's agenda of bolstering the country's export sector, offering a multi-faceted value proposition to emerging export-oriented enterprises through 'BoC Export Circle'. As Sri Lanka's leading Bank, we are well aware of the role BoC can play in stabilising Sri Lanka's economy and are committed to fulfilling this responsibility while balancing the diverse interests of our stakeholders.

STRATEGIC PROGRESS

The Bank launched a transformational strategy in 2018, with the aspiration of leveraging its inherent strengths and strong market position to emerge as a future-fit, competitive organisation, which is able to adapt to rapid changes in the operating environment. The detailed work done in the last few years to reposition and re-energise the Bank had placed us in good stead to effectively respond to the unprecedented challenges presented by pandemic-led disruptions.

Digital Excellence

Driving transformation through digital capabilities is a key pillar of the Bank's future-proofing strategy and we continued to make significant progress in digitally enabling our customers. We effectively

LKR 111.3 billion

Net Interest Income

capitalised on the opportunity presented by the unprecedented shift to digital channels, as we leveraged our unmatched reach across geographies and customer segments to enhance digital literacy and ensure uninterrupted banking services. Key achievements during the year included the successful launch of BOC CONNECT, a new digital channel catering to the rural masses, value-added features to the BoC Smart Pay app, process automation through RPA technology and the upgrade of the Bank's remittance system. As a result of these initiatives, the Bank's digital transactions increased by 43%, while digitally enabled customers grew by 13%.

Customer Centricity

Our approach towards managing 14.4 million customer relationships was centred on supporting them through the crisis and contributing to their long-term commercial sustainability through tailor-made solutions. We maintained proactive and ongoing engagement through awareness programmes and forums, some of which were attended by the Bank's Senior Leadership Team. Customer convenience remained a focus as we enhanced our digital propositions through various means and ways which include new product launches and adding new features to our existing offerings. We also directed resources towards identifying and addressing customer-service related issues, providing ongoing training opportunities for front-line staff.

High Performing Team

With the emergence of highly transmissible COVID-19 variants, considerable emphasis was placed on ensuring the safety and well-being of our employees. We implemented stringent and comprehensive safety measures including transportation arrangements, provision of high-quality

LKR 52.2 billion

Operating Profit Before Taxes

Personal Protective Equipment (PPE), interim treatment centres and vaccination access among others. We also leveraged our digital capabilities to enable employees to work from home, thereby ensuring uninterrupted service to customers while safeguarding employee health. The Bank, after having fruitful discussions with the trade unions, successfully concluded the Collective Agreement for the period 2021-2023. Despite the challenges that prevailed, we also paid employees a profit incentive, ensuring continued value creation. During the year, the Bank also absorbed 1,355 trainee staff assistants to the permanent cadre. Employee engagement and training continued through digital platforms, thereby supporting employee morale and mitigating the risk of being disconnected from the work environment.

Integrating Sustainability

The conditions that prevailed in the past two years have brought attention to the critical interdependencies that exist between businesses, communities and ecosystems. As an organisation which operates beyond profit objectives, environmental and social consciousness is a vital thread that runs across everything we do. BoC's sustainability agenda centres on the three main dimensions of economic, environmental and social responsibility. It is incumbent on businesses to be a part of the change we want to see in building a more just, greener planet and we have aligned our sustainability strategy to the United Nations Sustainable Development Goals, based on the Goals we believe are most relevant to our operating model. We are cognizant of the change we can drive through our lending decisions and continue to drive financial inclusion in the country's most deserving segments, while supporting climate-positive and environmentally conscious investments.

GENERAL MANAGER'S REVIEW

SHARED VALUE CREATION IN 2021



CUSTOMERS

- ▶ Focus on revival and rehabilitation
- ▶ Customer-centric solutions delivered through seamless channels
- ▶ Emphasis on customer service standards



EMPLOYEES

- ▶ Facilitated remote working arrangements
- ▶ Ensured safety and well-being
- ▶ Strengthened rewards and remuneration schemes
- ▶ Engagement and training through digital platforms



SHAREHOLDER AND FUND PROVIDERS

- ▶ Record profitability
- ▶ Strengthened capitalisation levels
- ▶ Enhanced risk management frameworks supporting business resilience



COUNTRY AND COMMUNITY

- ▶ Supported business revival
- ▶ Injection of funds to critical economic sectors
- ▶ Facilitated essential imports to the country
- ▶ Stabilise macro-economic fundamentals
- ▶ Key investments in community wellbeing



BUSINESS PARTNERS

- ▶ Pursue opportunities for mutual growth and value addition
- ▶ Transparent procurement process



REGULATORS

- ▶ Full compliance to relevant regulations
- ▶ Support the national QR drive
- ▶ Contribute towards the Sustainable Finance Roadmap

Despite the prevalent challenges we continued on our branch solarisation initiative and have converted 51 branches to solar as at 31 December 2021. Meanwhile, through the "Haritha Arana" initiative, the Bank has committed to restoring 100 acres of degraded land in Habarana, in line with the national agenda of increasing Sri Lanka's forest cover.

Resilient Performance

The relevance and timeliness of our strategy, together with relentless focus by the team in driving these imperatives, resulted in BoC delivering a record performance during the year under review. Despite the moderating economic conditions that prevailed, the Bank delivered a loan growth of 22%, reflecting continued efforts towards reviving businesses and supporting affected sectors.

Meanwhile, proactive management of asset liability maturity mismatches enabled the Bank to record a 2% decline in interest expenses, which in turn supported a strong NII growth of 49%. Net fee and commission income also increased by 19%.

The Bank's impairment charge increased by 40% reflecting the broad-based deterioration in credit quality and the proactive and prudent provisioning under expected credit loss model adopted by the Bank. In view of the prevalent conditions, the Bank did not pursue aggressive recovery, litigation or repossession, instead focusing on rehabilitating customers through proactive engagement, debt restructuring and flexible payment plans. Despite the weakening of credit quality, the Bank's gross NPL ratio remains at same levels compared to last year and remained in line with industry counterparts.

The Bank's operating expenses increased by 26%, driven mainly by personnel expenses. However, ongoing efforts to automate processes and drive increased digitalisation have led to consistent improvement in the Bank's cost-to-income ratio which decreased further to 32% during the year. Overall, the Bank's operating profit before tax on financial services almost doubled to LKR 52.2 billion, while pre-tax profit and profit after tax recorded a growth of 83% and 112% respectively.

The Bank's total assets increased by 28% to LKR 3.8 trillion, driven primarily by expansion of the credit portfolio. Parallel emphasis was also placed on strengthening our capital position. Due to the Bank's limited ability to raise capital through the capital market as a fully State own entity the Bank focused on strengthening internally generated capital through limiting our dividend outflow. Resultantly, the Bank's

“Focus will also be placed on empowering the country’s young and emerging entrepreneurs through providing access to affordable funding, thereby fuelling economic activity across the country.”

dividend payment was managed at LKR 1,846.4 million, resulting in the Bank’s Tier I and Total Capital ratio increasing to 14.3% and 17.8% respectively. Further, BASEL III compliant debenture and ATI instrument issued during the year also contributed on this regard. Deposits increased by 16% and accounted for 77% of the Bank’s total funding attesting to the trust placed by the public on the Bank’s stability.

Preserving Value

We firmly believe that fit-for-purpose governance frameworks and proactive risk management support informed decision-making. Given the complexities that prevailed during the year, the Bank sought to further strengthen its risk management framework. During the year, we carried out a comprehensive review and updated all risk related policies, strengthened post-sanctioning review of large credit exposures, strengthened provincial operational risk management and incorporated new stress testing scenarios to enhance resilience. In integrating environmental and social risk management with the Bank’s enterprise risk management, BoC established a dedicated ESMS Unit under the Independent Integrated Risk Management Division (IIRMD), thereby enhancing the overall resilience of our business to broader risks stemming from social and environmental factors. The Bank’s stringent risk management frameworks, characterised by the three lines of defence model, multiple level risk committees and objective decision-making across all aspects of our operations ensures that all key risk indicators are within the Board’s defined risk appetite. While ensuing conditions are likely to insert a degree of pressure on our risk profile in 2022, the Bank’s efforts to strengthen capitalisation levels and strong provisioning practices in recent years are expected to provide a cushion against emerging stresses.

WAY FORWARD

We are cognizant of the short-term challenges that may arise from Sri Lanka’s current foreign exchange position, although recent months have shown cause for optimism; the successful vaccination drive across the country has boosted consumer and investor sentiments, resulting in the resurgence of economic activity and a gradual return of tourists to Sri Lanka. The country’s export sector has also recorded a strong rebound, with earnings soaring by 23% during the year. This, together with the policy thrust towards local manufacturing and import substitution, is expected to support the improvement of the country’s external position in the medium term. As Sri Lanka’s leading Bank, we are determined to support Government efforts in formulating sustainable solutions to strengthen the country’s foreign exchange position through driving the long-term development of Sri Lanka’s export sector. In 2022, we will also prioritise the development of the SME sector through the establishment of BoC SME Circles, which will provide a value proposition extending beyond mere financial support. To remain relevant and competitive in this digital age, we will continue to enhance our digital proposition through innovative solutions and seamless delivery channels. Focus will also be placed on empowering the country’s young and emerging entrepreneurs through providing access to affordable funding, thereby fuelling economic activity across the country. As our sustainability journey continues to evolve and mature, we have initiated plans to proactively integrate ESG factors across our business verticals and key processes thereby contributing to sustainable development while strengthening the resilience of our business.

ACKNOWLEDGEMENTS

As we look to 2022 with renewed hope and optimism, I would like to take this opportunity to thank the Chairman and the Board of Directors for the confidence placed in me and their valuable counsel in what has been yet another challenging year. My appreciation also goes to my predecessor, Mr D P K Gunasekera for his valuable service given to the Bank throughout his 40 long years of service. The results set before you in this Report are a testament to the commitment and resilience of the BoC team and I extend my deepest appreciation to the Corporate and Executive Management Team and each and every employee and trade unions of our Bank for their untiring efforts and support extend. I also wish to thank for their continued support throughout the years. I also wish to thank the Ministry of Finance and the officials of the Ministry and the Governor and the staff of the Central Bank of Sri Lanka for their continuous guidance. My gratitude also goes out to the Auditor General and his staff for the execution of the audit of the Financial Statements enabling the timely publication of this Report. Finally, I would like to thank all our valuable customers and all other stakeholders who have placed their trust in us, and I look forward to working with you in the coming years.



K E D Sumanasiri
General Manager

24 February 2022
Colombo

BOARD OF DIRECTORS



Seated

Mr Kanchana Ratwatte
Chairman, Independent Non-Executive Director

Standing left to right

- Ms Janaki Senanayake Siriwardane**
Secretary, Bank of Ceylon/Secretary to the Board
- Mr R M Priyantha Rathnayake**
Non-Executive Ex officio Director
- Mr A C Manilka Fernando**
Independent Non-Executive Director
- Mr G Harsha Wijayawardhana**
Independent Non-Executive Director
- Mr Jayampathy Molligoda**
Independent Non-Executive Director
- Major General (Rtd.) G A Chandrasiri**
Independent Non-Executive Director

Mr Kanchana Ratwatte

Chairman

Independent Non-Executive Director

Date of appointment

02 January 2020

Skills and experience

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

Other appointments

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

Previous appointments

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

Mr R M Priyantha Rathnayake

Non-Executive Ex officio Director

Date of appointment

28 April 2020

Skills and experience

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

Other appointments

- ▶ Deputy Secretary to the Treasury.
- ▶ Director of the Securities and Exchange Commission of Sri Lanka.
- ▶ Colombo Lotus Tower Management Company (Private) Limited.

Previous appointments

- ▶ Chairman of National Savings Bank.
- ▶ Member of the National Medicinal Drug Regulatory Authority.
- ▶ Alternate Executive Director of the Asian Infrastructure Investment Bank, Beijing, People's Republic of China.
- ▶ Director of People's Bank.
- ▶ Director of the Civil Aviation Authority of Sri Lanka.
- ▶ Director of the Academy of Financial Studies (Guarantee) Limited.
- ▶ Member of the Governing Council of the University of Vocational Training.

- ▶ Director of the Sri Lanka Institute of Tourism and Hotel Management.
- ▶ Member of the Board of Directors of the National Aquaculture Development Authority of Sri Lanka.
- ▶ Member of the Sri Lanka Council for Agricultural Research Policy.
- ▶ Director of the State Pharmaceuticals Corporation of Sri Lanka (SPC).
- ▶ Director of the Mahaweli Authority of Sri Lanka.
- ▶ Member of the Advisory Board of the Science and Technology Policy Research Division of the National Science Foundation.
- ▶ Member of the Sri Lanka Economic Association.
- ▶ Commission member of Insurance Regulatory Commission of Sri Lanka.

Mr G Harsha Wijayawardhana

Independent Non-Executive Director

Date of appointment

14 January 2020

Skills and experience

- ▶ IT professional with over 20 years of wide-ranging experience in the ICT industry.
- ▶ Has been involved in Government ICT projects including Government networks.
- ▶ Established the Software Development Unit of the University of Colombo.
- ▶ Held responsibility for key national level software projects such as the Automated Fingerprint Identification System (AFIS) of the Police, etc. and is currently involved in developing the Electronic Government Procurement System of Sri Lanka with the Ministry of Finance.
- ▶ Holds a Bachelor of Science Degree majoring in Biochemistry and Chemistry and Minor in Mathematics from the University of Miami, USA.

BOARD OF DIRECTORS

- ▶ A Chartered fellow of the British Computer Society.
- ▶ Has published several scientific papers and authored several books and is honoured as an ICT pioneer of Sri Lanka by ICTA, LK Domain Registry and ISOC Sri Lanka Chapter.

Other appointments:

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

Previous appointments:

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

Mr A C Manilka Fernando

Independent Non-Executive Director

Date of appointment

21 April 2020

Skills and experience:

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

- ▶ Consulting/advisory services for projects in strategic planning, restructuring and organisational development at a range of organisations including Commercial Banks and Non-Bank Financial Institutions.

- ▶ A Fellow Member of the Institute of Chartered Accountants of Sri Lanka.
- ▶ Undergone special training at Harvard University and INSEAD.
- ▶ Holds a MBA degree from the University of Georgia, USA.

Other appointments:

- ▶ Non-Executive Director of Softlogic Finance PLC.

Previous appointments:

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

Major General (Rtd.) G A Chandrasiri

Independent Non-Executive Director

Date of appointment

08 January 2021

Skills and experience:

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

Other appointments:

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

Previous appointments:

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

Mr Jayampathy Molligoda

Independent Non-Executive Director

Date of appointment

18 February 2021

Skills and experience:

- ▶ Over 40 years of executive experience in the fields of Finance Management, Strategic Planning and Human Resource Development, Plantation Management and International Marketing of Tea.
- ▶ A Fellow Member of the Institute of Chartered Accountants of Sri Lanka.
- ▶ Holds a MBA from the Postgraduate Institute of Management.
- ▶ Successfully completed an Executive Strategy Programme at Victoria University, Melbourne, Australia.

- ▶ He was conferred the “Professional Excellence Awards 2014” at the CMA National Management Accounting Conference held in June, 2014.

Other appointments:

- ▶ Chairman, Sri Lanka Tea Board.
- ▶ Council Member of the Institute of Chartered Accountants of Sri Lanka.
- ▶ Director Metropolitan Resource Holdings Limited.

Previous appointments:

- ▶ Executive Deputy Chairman/CEO at Bogawantalawa Tea Estates PLC.
- ▶ Chairman, Independent Audit Committee of Finlay Teas, Colombo.
- ▶ Chief Accountant, Janatha Estates Development Board.
- ▶ Senior Finance Manager at Associated Newspapers of Ceylon Limited.
- ▶ Director, Peoples’s Bank.
- ▶ Director, Udapussellawa Plantation PLC.
- ▶ Director, Hapugastenne Plantation PLC.
- ▶ Accountant, Ceylon Plywoods Corporation.

Ms Janaki Senanayake Siriwardane

Secretary, Bank of Ceylon/
Secretary to the Board

Profile is given on page 24.

CORPORATE MANAGEMENT



Seated left to right

Ms Janaki Senanayake Siriwardane, Mr W P Russel Fonseka

Standing left to right

Mr G A Jayashantha, Mr M R N Rohana Kumara, Mr Y A Jayathilaka, Mr K A D Wijayawardane,
Mr R M N Jeewantha, Mr M P Ruwan Kumara, Mr Nilantha Meneripitiyage, Mr S Sivanjan



Seated left to right
Mr K E D Sumanasiri, Ms W B P Rathnayake

Standing left to right
Mr P M Liyanage, Mr D S Muthukudaarachchi, Mr H Priyal Silva, Mr B K Gurusinghe, Mr K A A Karunaratne,
Mr A R F John Pulle, Mr Sameera D Liyanage

CORPORATE MANAGEMENT

Mr K E D Sumanasiri

General Manager

(Appointed as the General Manager in August 2021)

Skills and Experience

- ▶ Counts over 31 years of multi-disciplinary experience within the Bank with expertise in credit and people management. During his career at the Bank, he has served in areas of Retail Banking, Micro Finance, Corporate Finance, Recoveries, Learning and Development and Human Resource Management.
- ▶ BSc (Honours) Degree in Business Administration (University of Sri Jayewardenepura), Management Development Programme for Key Management Personnel (Postgraduate Institute of Management), Special Management Course of higher Management and Public Policy for Business Leadership (Postgraduate Institute of Management), Training programme offered by the Harvard Business School of USA, Associate Member of the Institute of Bankers of Sri Lanka and Chartered Institute of Personnel Management Sri Lanka.

Mr W P Russel Fonseka

Additional General Manager/ Chief Financial Officer

(Appointed to the Corporate Management in March 2012)

Skills and Experience

- ▶ Over 31 years of experience in the Bank across its local and overseas operations, specialising in financial management, budgets and strategic planning.
- ▶ Other areas of experience includes Retail Banking, International operations, Treasury and Investment and Corporate and Offshore Banking

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

Ms Janaki Senanayake Siriwardane

Secretary, Bank of Ceylon/Secretary to the Board

(Appointed to the Corporate Management in October 2010)

Skills and Experience

- ▶ An Attorney-at-Law by profession with a LLB.
- ▶ Over 25 years of experience in the Bank in Company Secretarial and Corporate Governance.
- ▶ MBA (Merit) from the University of Colombo.

Mr D S Muthukudaarachchi

Deputy General Manager (Recovery Corporate)

(Appointed to the Corporate Management in February 2020)

Skills and Experience

- ▶ Over 31 years of experience in diverse aspects of the banking operations.
- ▶ Wide experience in Retail and Corporate Banking specialising in credit management, credit risk and Overseas Branch operations.
- ▶ BSc (Special) Degree in Estate Management and Valuation (University of Sri Jayewardenepura)

Mr Y A Jayathilaka

Deputy General Manager (Branch Credit Operations - Range II)

(Appointed to the Corporate Management in February 2020)

Skills and Experience

- ▶ Counts over 24 years of experience in multi-disciplinary roles in Retail Banking, Treasury and Overseas operations, Project Management, Products and Process Development, Credit and Recoveries.
- ▶ Has been involved in the implementation of major IT projects of the Bank such as Core Banking system and Trade Finance systems in BOC UK Ltd, Core Banking and Teller system upgrade, DMS and Workflow Automation System and several other customer-facing digital offerings in the Bank.
- ▶ BSc (Special) Degree in Business Administration (University of Sri Jayewardenepura), Master of Business (Finance) Degree (University of Kelaniya), Diploma in Banking and Finance, Associate of the Institute of Bankers of Sri Lanka and Advanced Course in Strategic Management from the Postgraduate Institute of Management (University of Sri Jayewardenepura).

Mr H Priyal Silva

Deputy General Manager (Corporate and Offshore Banking)

(Appointed to the Corporate Management in February 2020)

Skills and Experience

- ▶ Counts over 24 years of extensive experience in various aspects of banking specialising in Corporate, Retail and Development Banking, International and Treasury Operations and Branch Operations including Sales and Marketing.

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

Mr G A Jayashantha

Chief Risk Officer

(Appointed to the Corporate Management in September 2020)

Skills and Experience

- ▶ Over 24 years of experience in the Bank.
- ▶ Specialised skills in Retail Credit, SME, Treasury Operations and Assets and Liability Management, Risk Management and Corporate Credit including Offshore Operations
- ▶ BSc (Special) Degree in Business Administration (University of Sri Jayewardenepura), MA in Financial Economics (University of Colombo), Diploma in Credit Management (Institute of Bankers of Sri Lanka), Associate Member of Institute of Bankers of Sri Lanka.

Ms W B P Rathnayake

Deputy General Manager (Compliance)

(Appointed to the Corporate Management in September 2020)

Skills and Experience

- ▶ Experience in all aspects of commercial banking with local and international exposure during her career spanning over 24 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 Diploma in Bank Management (The Institute of Bankers of Sri Lanka) and Associate Member of the Institute of Bankers of Sri Lanka.

Mr R M N Jeewantha

Deputy General Manager

(International, Treasury and Investment)

(Appointed to the Corporate Management in September 2020)

Skills and Experience

- ▶ Over 19 years of Banking experience in the areas of Treasury Management, Investment Banking, Financial Management, Credit Management and Retail Banking.
- ▶ BSc (Special) Degree in Accountancy (University of Sri Jayewardenepura), MBA from the Postgraduate Institute of Management (PIM), Member of the Institute of Certified Professional Managers of Sri Lanka (ACPM) and Associate Member of the Institute of Bankers of Sri Lanka.

Mr M P Ruwan Kumara

Deputy General Manager (Finance and Planning)

(Appointed to the Corporate Management in September 2020)

Skills and Experience

- ▶ Over 19 years of experience in banking specialising in Financial Management, Strategic Planning, Investment Banking, Commercial and Overseas Banking operations.
- ▶ BSc (Special) Degree in Accountancy (University of Sri Jayewardenepura), Commonwealth Executive MBA (CEMBA) (Open University of Sri Lanka), Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Associate Member of Certified Management Accountants of Sri Lanka, Associate Member of the Institute of Bankers of Sri Lanka and Member of the Sri Lanka Institute of Directors (SLID).

Mr S Sivanjan

Deputy General Manager (Branch Credit Operations Range I)

(Appointed to the Corporate Management in September 2020)

Skills and Experience

- ▶ Over 19 years of banking experience in retail branch operations, credit, recovery, development banking, microfinance and overseas operations
- ▶ BSc First Class Honors Degree in Science (University of Jaffna) and MBA (University of Colombo) specialising in Marketing

Mr B K Gurusinghe

Chief Legal Officer

(Appointed to the Corporate Management in September 2020)

Skills and Experience

- ▶ Attorney-at-law from the Sri Lanka Law College
- ▶ Over 24 years of experience as a banking professional, with expertise in corporate banking, retail banking, credit and organisational transformation.
- ▶ BSc (Special) Degree in Business Administration (University of Sri Jayewardenepura), Commonwealth Executive MBA (CEMBA) (Open University of Sri Lanka), Postgraduate Diploma in Business and Financial Administration (PgDBM) from the Institute of Chartered Accountants of Sri Lanka, Membership in several organisations such as the Institute of Bankers of Sri Lanka and the Sri Lanka Bar Association.

CORPORATE MANAGEMENT

Mr M R N Rohana Kumara

Deputy General Manager
(Recovery provinces, Business Revival and Rehabilitation)

(Appointed to the Corporate Management in January 2021)

Skills and Experience

- ▶ Over 19 years of experience in the Bank including executive leadership roles in recovery, retail credit and project finance.
- ▶ Contributed towards enhancing organisation-wide credit skills through his role as a resource person of the Bank's Central Training Institute.
- ▶ BSc First Class Degree in Mathematics (University of Kelaniya), Diploma in Leadership (Northern Illinois University, USA) and Associate Member of the Institute of Bankers of Sri Lanka.

Mr A R F John Pulle

Deputy General Manager
(Support Services)

(Appointed to the Corporate Management in July 2021)

Skills and Experience

- ▶ Over 30 years of experience in all aspects of commercial banking, specialising in Treasury Management, Retail Banking, Risk Management and Overseas Banking operations. He has also served as the Head of Treasury in Bank of Ceylon, Chennai and as the Chief Executive Officer of Bank of Ceylon(UK) Ltd in London.
- ▶ B.Ph First Class Degree in Philosophy from the Università Pontificia Salesiana, Italy and an Associate Member of the Institute of Bankers of Sri Lanka.

Mr Nilantha Meneripitiyage

Deputy General Manager
(Branch Operations and Development Banking)

(Appointed to the Corporate Management in July 2021)

Skills and Experience

- ▶ Career banker with over 29 years' experience in both local and overseas operations in areas such as corporate banking, retail banking, risk management, credit card operations, treasury operations and information technology.
- ▶ Has served as the Chief Executive Officer/ Executive Director of Bank of Ceylon (UK) Ltd., and Assistant General Manager (Risk Management). His experience includes the handling of large-scale businesses and government sector infrastructure projects.
- ▶ BSc (Management) Hons (Special) Degree and a Master of Science (Management) degree from the University of Sri Jayewardenapura, Diploma in Banking and Finance, Associate of the Institute of Bankers Sri Lanka .
- ▶ Served as a visiting lecturer affiliated to the Post Graduate Studies Department of the University of Moratuwa, The Institute of Bankers of Sri Lanka, Export Development Board and the Central Training Institute of the Bank of Ceylon.

Mr K A D Wijayawardane

Deputy General Manager
(Human Resources)

(Appointed to the Corporate Management in October 2021)

Skills and Experience

- ▶ Over 19 years of experience in the Bank specialising in Branch Banking, executive leadership in Human Resource Operations, Credit and Retail Banking.
- ▶ BSc (General) Second Class (Upper Division) Honours Degree (University of Kelaniya), Postgraduate Diploma in Business Management (University of Wayamba), Diploma in Banking and Finance from the Institute of Bankers of Sri Lanka and Life Member of the Association of Professional Bankers (APB), Sri Lanka

Mr P M Liyanage

Chief Internal Auditor

(Appointed to the Corporate Management in December 2014)

Skills and Experience

- ▶ A finance professional with over 22 years of experience in banking and finance
- ▶ BSc (Special) Degree in Accountancy and Finance (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 23 years of professional expertise in banking and marketing across both public and private sector institutions.
- ▶ Awarded the Chartered Marketer status in 2015 by the Chartered Institute of Marketing (UK).
- ▶ Postgraduate Diploma in Marketing from the CIM UK, Member of the CIM UK, SLIM and Association of Professional Bankers Sri Lanka.

Mr K A Ajith Karunaratne

Deputy General Manager (Designated)

(Appointed to the Corporate Management in December 2021)

Skills and Experience

- ▶ Over 19 years of experience in the Bank specialising in the areas of Branch Banking, Trade Finance, Corporate and Premier banking operations.
- ▶ Multi-disciplinary experience in Retail Banking and executive leadership roles in multiple provinces with responsibility for Business promotion, Administration and Human Resource.
- ▶ BSc (Special) Degree in Business Administration (University of Sri Jayewardenepura), Master of Business Administration (Wayamba University of Sri Lanka), Member of AAT and Associate Member of the Institute of Bankers of Sri Lanka.

EXECUTIVE MANAGEMENT



Mr M D A Karunaratne
Assistant General Manager
- IT (Application Systems)



Ms P P M Wijesekara
Assistant General Manager
- Credit Audit



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



Ms T Perera
Assistant General Manager
- Training and Development



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



Ms J Gnanasambanthan
Assistant General Manager
- Treasury Back Office



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



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



Ms K P Mallika
Assistant General Manager
- Digital Products Promotion



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



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



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



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



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



Mr W M A Wanigasekera
Assistant General Manager
- Eastern Province



Ms P M Withana Arachchi
Assistant General Manager
- Support Services



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



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



Ms K J Yogaratnam
 Country Manager
 - Chennai



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



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



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



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



Ms S Pirapaharan
 Assistant General Manager
 - Investment Banking



Mr S K Wickramasinghe
 Assistant General Manager
 - Pettah Branch



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



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



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



Ms N N Nishanadee
 Deputy Chief Legal Officer
 (Credit)



Mr A R Mallikarachchi
 Assistant General Manager
 - Administrative Services



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



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

EXECUTIVE MANAGEMENT



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



Mr J K D Dharmapala
Assistant General Manager
- Metropolitan Branch



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



Mr R M Samarakkody
Assistant General Manager
- Investigations



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



Mr V Sivananthan
Assistant General Manager
- Northern Province



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



Ms K Deepa Kumari
Assistant General Manager
- Risk Management



Mr A W R Thushantha
Assistant General Manager
- Treasury



Mr D M A Madhawa
Assistant General Manager
- Corporate Relations



Mr A T Hettiarachchi
Assistant General Manager
- Marketing



Ms S S T Kulasekera
Assistant General Manager
- Project Finance



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



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



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



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



Mr I K Nawaratne
Assistant General Manager
- Uva Province



Ms N R D N Perera
Assistant General Manager
- North Western Province



Mr N Krishnakumar
Assistant General Manager
- Business Revival and
Rehabilitation



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



Ms T S Senanayake
Assistant General Manager
- Province and Branch Audit



Mr I U K D Wijegunawardena
Country Manager
- Seychelles

VALUE CREATION MODEL



OUTPUT

LKR 260.5 billion (+15%)
Interest income generated

LKR 14.2 billion (+19%)
Net fee and commission income

LKR 25.0 billion (+37%)
Investment on employees

LKR 43.7 billion (+40%)
Impairment

LKR 43.2 billion (+83%)
Profit before tax (PBT)

LKR 2,576.7 billion (+22%)
Loans and advances portfolio

LKR 2,866.9 billion (+16%)
Deposit base

513.9 million (+4%)
Transactions processed

LKR 79.5 million (+6%)
Investments in communities

25,010.5 tCO₂ eqv. (+42%)
Carbon footprint

OUTCOMES

FINANCIAL CAPITAL

- + Total income growth of 18%
- + Profit for the year increased by 83%
- + Dividend for the year increased 16%



MANUFACTURED CAPITAL

- + Property, plant and equipment up by 2%
- + Digital transactions up by 43%
- + Digitally active clients up by 13%



HUMAN CAPITAL

- + Value created to employees increased by 37%
- Retention decreased by 0.1% to 99.5%
- + 176,418 man hours of training
- + 729 employees promoted



SOCIAL AND RELATIONSHIP CAPITAL

- + Maintained market leadership in key product/service categories
- Customer complaints
- + Community value creation through long-term CSR initiatives



INTELLECTUAL CAPITAL

- + Brand value increased by 12.5%
- + Maintained market leadership in key product/service categories



NATURAL CAPITAL

- + ESG consciousness in credit appraisal
- 42% increase in carbon footprint of our operations
- + Green lending and integration of ESMS considerations into credit appraisal



VALUE TRANSFORMATION AT BOC

RESOURCE INPUTS

As a financial intermediary, BoC's main role is to bridge the funding requirements of individuals and businesses with depositors/funding providers who have excess funds for investment. As a State-owned Bank, BoC also plays a vital role in supporting the national mandate on economic development through funding the State sector to provide public utilities, essential imports and infrastructure development, facilitating financial liberty of all Sri Lankans and driving financial inclusion. The Bank relies on the relationships it has nurtured with its customers and business partners and resources in the form of equity, borrowings and customer deposits are utilised in disbursing funding to borrowers; this is powered by its' employees and facilitated through the Bank's brick and mortar network as well as digital and virtual delivery channels.

VALUE TRANSFORMATION

The Bank's key business activities of lending, mobilising deposits, investing, transactional banking and other services are delivered through three key business verticals (Retail Banking, Corporate and Offshore Banking and International, Treasury, Investment and Overseas Operations). Operations and actions are guided by the Bank's strategic plan which centres on the five key pillars of Customer Centricity, Digital Excellence, Rewarding Credit Culture and Healthy Credit Portfolio, Building a High-Performing Team and Stability, Governance and Sustainable Growth. This transformation process is underpinned by optimum resource allocation, robust governance practices and proactive risk management.

OUTPUTS AND OUTCOMES

The business activities combine to generate several key outputs in the form of interest income, fee and commission income and other income. Over the long-term, consequences stemming from outputs and business activities generate outcomes for our diverse stakeholders.

+ Positive outcome - Negative outcome

ECONOMIC VALUE ADDED (EVA)

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

	2021 LKR million	2020 LKR million	CHANGE %
VALUE ADDED			
Income earned by providing banking services	284,832	243,619	17
Cost of Services	(140,946)	(148,412)	(5)
Value added by banking services	143,886	95,207	51
Non banking income	5,531	3,545	56
Impairment charges for loans and other losses	(43,734)	(31,232)	40
Value Addition	105,683	67,520	51
Value Allocation			
To Employees			
Salaries, Wages and Other Benefits	24,982	18,190	37
To Government			
Dividends paid to Government of Sri Lanka	1,846	1,596	16
Income Tax	9,836	8,502	16
Taxes on financial services	9,027	5,458	65
	20,710	15,557	33
To Community			
Social responsibility projects	80	75	5
To Providers of External Funds			
Interest on other borrowings	16,944	9,554	77
Interest on debt issued	7,314	6,436	14
	24,258	15,990	52
To Expansion and Growth			
Retained Profit	35,744	16,169	121
Depreciation and amortisation	4,146	4,255	(3)
Deferred Taxation	(4,237)	(2,714)	56
	35,653	17,709	101
	105,683	67,520	57

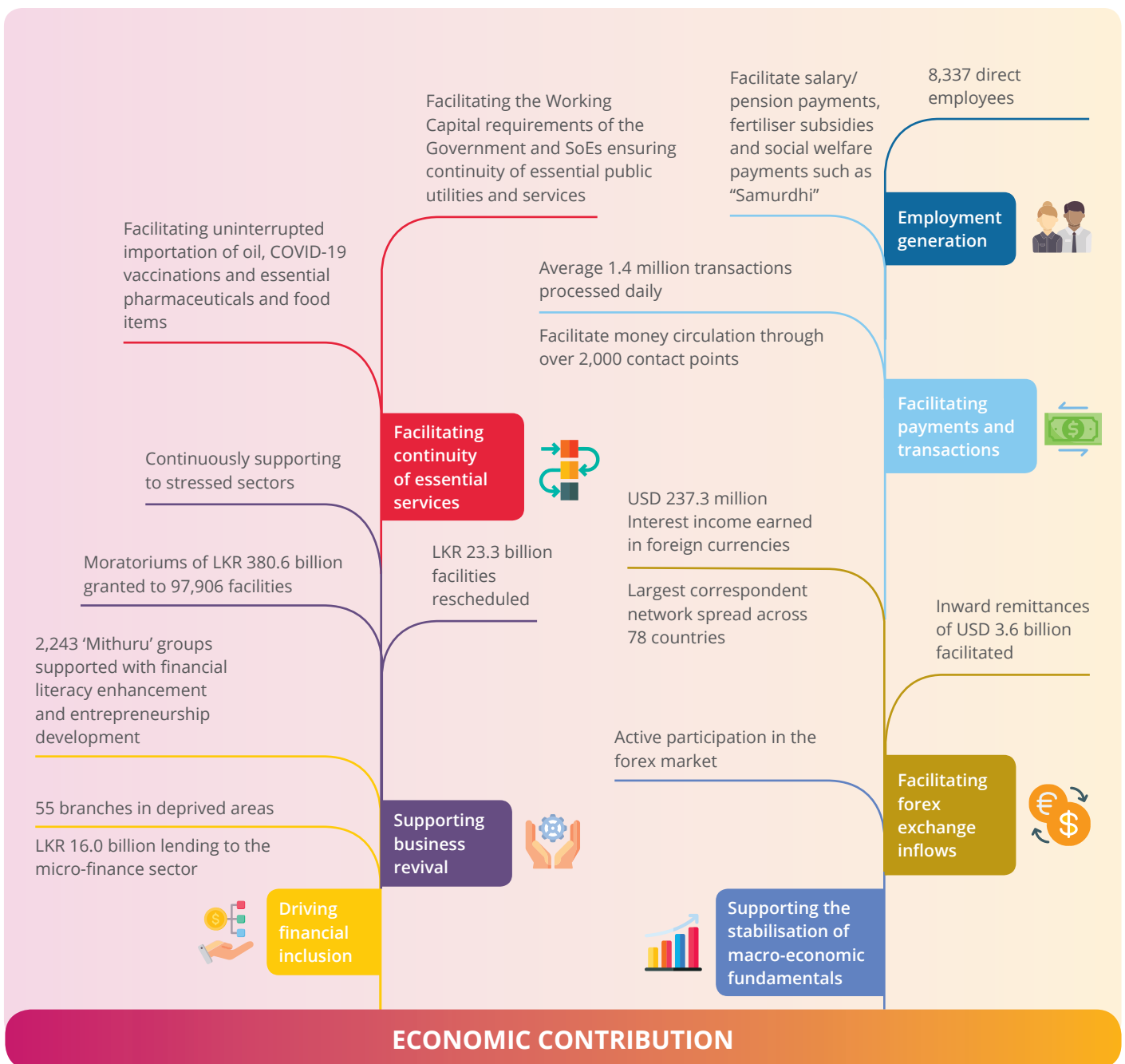
Economic Value Added (EVA) indicates the true economic profit of an organisation. EVA is an estimate of the amount by which earnings exceed or fall short of required minimum return for shareholders at comparable risks.

	2021 LKR million	2020 LKR million
Invested Capital		
Average Shareholders' funds	177,090	149,471
Add: Cumulative impairment Provision for loan losses and other losses	162,906	126,796
	339,996	276,267
Return on Invested Capital		
Profit after taxation	37,590	17,765
Add: Impairment provision for loan losses and other losses	43,734	31,232
Less: Loans written off	(77)	(1)
Total return on invested capital	81,247	48,996
Opportunity cost of invested capital*	(19,210)	(17,405)
Economic Value Added	62,037	31,592
	5.65%	6.30%

*Calculated based on weighted average 12 months Treasury bill rate 2021 - 5.65% (2020 - 6.30%)

OUR ECONOMIC IMPACT

As the Sri Lankan economy grappled with numerous complexities and headwinds during the year, BoC was called upon to contribute towards ensuring macro-economic stability while playing a critical role in ensuring the continuity of essential services of the country through delivering uninterrupted banking services. Accordingly, the Bank's economic impact deepened during the year as it played a multi-faceted role in driving economic activity and facilitating transactions across the island.



OPERATING CONTEXT

ECONOMIC ENVIRONMENT

GLOBAL ECONOMY

The emergence of highly transmissible new COVID-19 variants has weakened the momentum of global economic recovery, with access to COVID-19 vaccinations and policy support emerging as key determinants of economic growth across regions and nations. The IMF forecasts the global economy to grow by 5.9% in 2021, before moderating to 4.9% in 2022 reflecting worsening pandemic dynamics in emerging markets and supply disruptions in advanced economies.

SRI LANKAN ECONOMY

The domestic economy recorded strong rebound in early 2021, reflecting unprecedented policy stimuli, release of pent-up demand and businesses adaptation to post-pandemic realities. However, the resurgence of infections and followed by the restrictions in the second half of the year, resulted in Sri Lanka's GDP contracting by 1.5% in the third quarter of 2021. Overall, the country's GDP has recorded a growth of 3.7% during the year 2021.

MONETARY POLICY

Given rising inflationary pressures, the CBSL sought to tighten monetary policy from the third quarter of 2021, increasing the SDFR, SLFR, Bank Rate and SRR on rupee liabilities. Following historically low interest rates in recent years, market interest rates recorded a pick-up during the last few months of 2021. Meanwhile, supply side disruptions, together with the increase in global commodity prices and removal of certain price controls resulted in inflation levels increasing during the year; the NCPI increased by 14% y-o-y while the annual average recorded an increase of 7% y-o-y.

EXTERNAL SECTOR

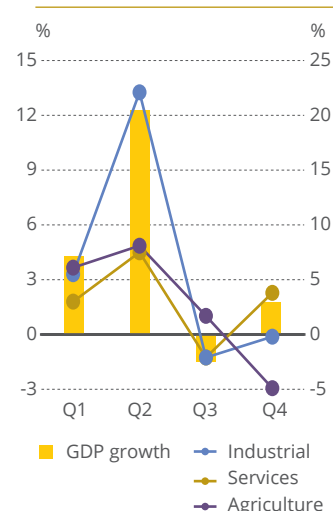
Following the gradual recovery of key source markets, Sri Lanka's merchandise exports increased by 24% during the year. Despite restrictions on non-essential imports, the country's import bill also increased by 29% resulting in the trade deficit widening by 35%. A 38% y-o-y drop in worker remittances together with the sharp decline in tourism earnings resulted in the overall balance of payments deficit increasing by 57% during the period. Government efforts to direct remittance flows through formal channels and the gradual opening of migrant source markets is expected to drive a rebound in remittances in the short to medium-term.

Meanwhile, the Sri Lankan Rupee recorded considerable volatility during the year reflecting limited conversions by exporters, speculative trading and the sharp drop in foreign exchange earnings; accordingly, the Rupee depreciated by 8% against the USD by December 2021.

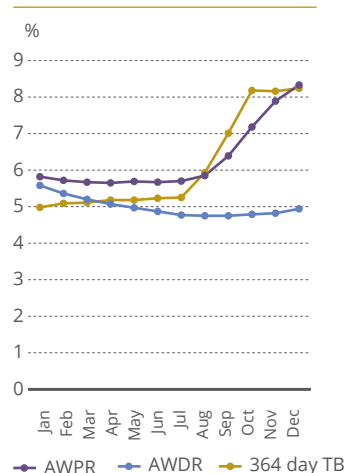
FISCAL POSITION

The country's fiscal position deteriorated during the year, with COVID-19 led disruptions adversely affecting Government revenue while expenditure increased due to the expansion in interest payments and salaries and wages. International rating agencies (Moody's, S&P Global Ratings and Fitch Ratings) downgraded the country's sovereign rating during the year, citing concerns on the country's weakening external position and debt burden. However, the Government so far has continued to honour all its debt servicing obligations, maintaining its record of timely debt payments.

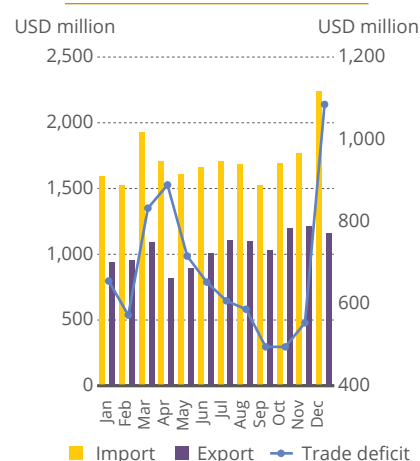
Sri Lanka GDP growth



Interest Rates



External Trade



PESTEL ANALYSIS

The operating environment is monitored on an ongoing basis through a PESTEL framework, which allows BoC to identify material risks and opportunities that could have an impact on its ability to create value over the short, medium and long term. Key factors which impacted the Bank's strategy and performance during the year are summarised below:




POLITICAL

- ▶ Sri Lanka is a country of geopolitical importance, supported by its strategic positioning close to key maritime sea lanes
- ▶ The country's close ties to Asia's power houses, China and partnerships with European and Western nations have afforded significant opportunities for trade relationships
- ▶ The country is politically stable, with the Government pursuing a sustainable development agenda centring on strengthening local manufacturing and driving exports
- ▶ CBSL continued to support businesses affected by the pandemic by extending the grace periods and moratoriums granted



ECONOMIC

- ▶ Pandemic-led disruptions and external sector stress affected Sri Lanka's economic growth in 2021
- ▶ Interest rates have recorded a gradual uptick with the regulator seeking to tighten monetary policy
- ▶ Inflation levels increased following disruptions to supply chains, global commodity price increase and the depreciation of the Sri Lankan Rupee
- ▶ Stress on the external front, given dwindling foreign currency reserves and international debt payment obligations




SOCIAL

Customer preferences

- ▶ Banking customers are increasingly demanding seamless, convenient and personalised solutions. This has completely transformed the way customers interact with banks and is also a critical factor in penetrating the younger demographic
- ▶ Attitudes and lifestyle changes are also driving considerable changes in household consumption patterns, providing opportunities for growth in specific product and service categories

Talent attraction and retention

- ▶ With banks required to be increasingly agile in order to remain future fit, the required skill composition of employees have also changed with focus on digital and analytical skills



TECHNOLOGY

- ▶ Following the outbreak of the COVID-19 pandemic and the unprecedented shift to digital platforms, digital solutions have emerged as a key differentiator for banks
- ▶ Banks have increasingly sought to build agile and lean operating models through deploying technologies such as Robotic Process Automation (RPA) and workflow automation
- ▶ Emerging technologies such as blockchain, Artificial Intelligence and cloud computing are transforming many aspects of banking, providing opportunities for driving operational efficiencies, reducing cost, interacting with customers and optimising resources



LEGAL

- ▶ Several regulations were introduced to limit foreign currency outflows from the banking system.
- ▶ Provision of banking services during the ongoing quarantine curfew period
- ▶ Directions on capital requirements under BASEL III
- ▶ FOREX Regulations aimed at preserving Sri Lanka's foreign exchange position
- ▶ Extension of debt moratoriums and concessions to COVID-19 affected businesses
- ▶ Priority sector lending targets to the micro and SME sector and agricultural sector
- ▶ Regulatory framework for technology risk management and resilience
- ▶ Deferment of recovery action against borrowers



ENVIRONMENTAL

- ▶ Environmental risks are among the most serious risks facing organisations and communities today, with extreme weather and climate action failure prioritised as top risks both in terms of impact and likelihood according to the World Economic Forum's Global Risk Report for 2021
- ▶ Banks of our nature are expected to play a central role in providing pragmatic and long-term solutions through responsible lending decisions which include social and environmental criteria
- ▶ Banks, through adopting responsible lending practices and policies, have more powerful ways and means of influencing customers towards much more environment friendly solutions

PESTEL ANALYSIS

IMPACT ON BOC'S STRATEGY AND PERFORMANCE

The trends in the operating landscape as described above have direct implications on the Bank's strategy and performance while presenting both opportunities and risks to its value creation. These implications are summarised below:

POTENTIAL IMPACTS

- ▶ Shortage in foreign currency led to inevitable impacts on import volumes, import-related fee and commission income and challenges in funding cross border transactions
- ▶ Moderating economic conditions could incur pressure on repayment capability, adversely impacting portfolio quality
- ▶ Rising interest rate is likely to insert pressure on interest margins
- ▶ Technological developments can drive increased wallet share through offering holistic, seamless solutions
- ▶ Increased agility and adaptability required to maintain competitive position in the face of technological disruptions
- ▶ Through adopting sustainable practices BoC can increase access to funding lines targeted towards green lending



OPPORTUNITIES

- ▶ Supporting the revival of COVID-19 affected businesses and strengthen customer relationships through debt relief
- ▶ Growth opportunities in the export sector, aligned with the national agenda
- ▶ Drive digital literacy across our unmatched customer base
- ▶ Build an agile and dynamic workforce through appropriate training interventions
- ▶ Technology driven opportunities for Increased process efficiencies and cost rationalisation
- ▶ Sharpen competitive edge through transforming the customer experience
- ▶ Opportunity in integrating sustainability strategy to corporate strategy
- ▶ Opportunities stemming from changing lifestyles of the people

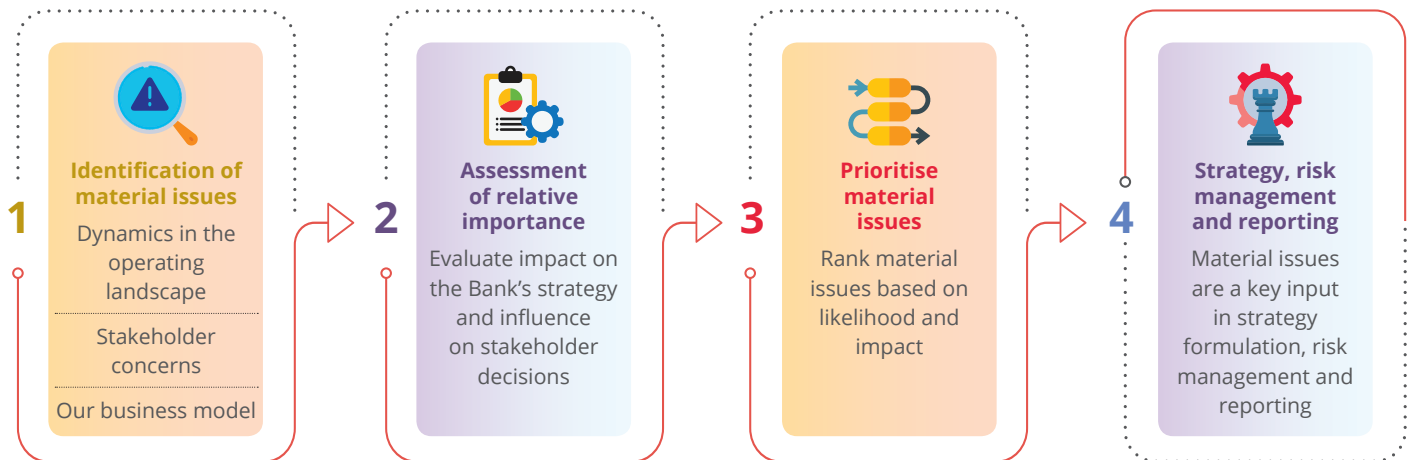


RISKS

- ▶ Risks stemming from exchange rate volatility and shortage in foreign currency
- ▶ Challenges in attracting foreign funding, given the downgrading of the country's sovereign rating
- ▶ Pressure on NIMs and impact on profitability
- ▶ Technological obsolescence, given the accelerated pace of change in technology
- ▶ Labour turnover, particularly among the younger demographic
- ▶ Risks stemming from escalating implications of climate change on agricultural supply chains and outputs
- ▶ Cyber security threat stemming from significant growth in digitalisation

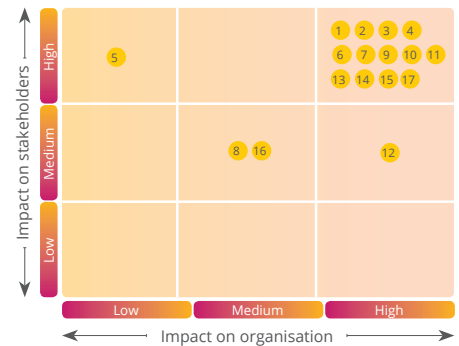
MATERIAL ISSUES

Material issues represent internal and external issues that could significantly affect the Bank's ability to create value. Management of these matters is critical to fulfilling the needs of our stakeholders and therefore is critical to our strategy and operations. The Bank's process for determining material topics is presented below:



The materiality assessment for 2021 expands on the material topics identified in 2020. We also reviewed the scope and boundaries of our material topics in line with changes in our operations and determined there were no significant changes to our reporting boundaries. In our analysis we revisited our 2020 material topics to confirm their relevance to BoC and the operating conditions. One of the two new topics added last year, Customer support and business revival, continues to be material, given the lingering implications

of COVID-19, while the importance of employee health and safety has increased given the emergence of new variants. Meanwhile, macro-economic developments and policy changes which have further been elevated in materiality remains to rated among the most material matters of 2021, given the country's prevalent economic complexities and uncertainties, particularly on the foreign exchange front. BoC's material matrix for 2021 is presented alongside:



MATERIAL TOPIC	WHY IT IS MATERIAL TO US	CHANGE IN MATERIALITY	CORRESPONDING REPORTING STANDARDS (GRI, CSE-ESG GUIDANCE, SASB STANDARDS FOR COMMERCIAL BANKS)
1. Customer support and business revival	We have continued to lead the country's economic recovery by supporting business revival through rescheduling/restructuring facilities, cash flow monitoring and access to finance	-	SASB FN-CB-240a.2: Financial inclusion and capacity building
2. Employee health and safety	Given periodic surges in infections, ensuring employee health and safety remained a critical priority in 2021	▲	GRI 403: Occupational health and safety
3. Macroeconomic developments and policy trends	Multi-faceted challenges affecting Sri Lanka's economy and related policy developments have a direct impact on the financial sector's operations, performance and sustainability.	-	
4. Talent management and labour relations	Employees are vital in driving our strategy and are one of our most valuable assets, underscoring the importance of managing employee related issues effectively	-	GRI 401: Employment GRI 402: Labour/Management relations GRI 404: Training and education GRI 407: Freedom of association and collective bargaining
5. Diversity and equal opportunity	We are committed to creating a diverse and inclusive workforce in which employees can thrive	-	GRI 405: Diversity and equal opportunity

MATERIAL ISSUES

MATERIAL TOPIC	WHY IT IS MATERIAL TO US	CHANGE IN MATERIALITY	CORRESPONDING REPORTING STANDARDS (GRI, CSE-ESG GUIDANCE, SASB STANDARDS FOR COMMERCIAL BANKS)
6. Customer experience	Customer service has emerged as the key differentiator in the intensely competitive banking sector of Sri Lanka	-	
7. Customer privacy and data security	Increased thrust towards digitalisation has heightened vulnerability to customer privacy and security issues, thereby requiring organisations to strengthen IT security frameworks	-	GRI 418: Customer privacy SASB FN-CB-230a.2: Data security
8. Responsible banking	Responsible lending practices underpin BoC's ability to drive impactful socio-economic change	-	GRI 417: Marketing and labelling
9. Financial performance	Critical in ensuring our commercial sustainability and continued value generation to stakeholders	-	
10. Socio-economic contribution and financial inclusion	As a State-owned bank, BoC's role extends beyond traditional banking to drive financial inclusion and socio-economic empowerment across the Island	-	GRI 201: Economic performance GRI 202: Market presence GRI 413: Local communities GRI 203: Indirect economic impacts SASB N-CB-240a.3: Financial inclusion and capacity building SASB FN-CB-240a.4: Financial inclusion and capacity building
11. Regulatory environment, governance and compliance	A strong compliance culture and robust corporate governance practices underpins our value creation process	-	GRI 207: Tax GRI 419: Socio economic compliance GRI 307: Environmental compliance
12. Responsible procurement	We engage with a large base of suppliers and ensure responsible practices in procurement through propagation of sustainable practices	-	GRI 204: Procurement practices
13. Bribery and anti-corruption	As a State-Owned Entity, nurturing a culture of anti-bribery and anti-corruption is vital in the responsible creation of shared value	-	GRI 205: Anti-corruption GRI 406: Non-discrimination SASB FN-CB-510a.2: Business Ethics
14. Labour rights (outsourced/contract)	BoC is committed to preserving the dignity of labour and providing a conducive work environment for all outsourced and contract employees engaged by us	-	GRI 408: Child labour GRI 409: Forced or compulsory labour
15. Digitalisation and technology	Driving digital excellence is a key strategic aspiration for the Bank	-	
16. Climate change and environmental footprint	We are committed to driving down the environmental footprint of our operations while propagating sustainable practices through green lending	-	GRI 302: Energy GRI 305: Emissions SASB FN-CB-410a.2: Incorporation of ESG factors in credit analysis
17. Brand reputation	Consistently ranked as Sri Lanka's No.1 banking brand, the BoC brand is a key source of competitive edge, underpinning our strong market position	-	



BoC has supported many upcoming and existing small-and medium-scale enterprises with credit facilities and other financial concessions during an economically challenging period.

TRANSFORMATIONAL STRATEGY

The Bank adopts a holistic process in determining corporate strategy, culminating in the formulation of a three year Corporate Plan. This Plan is reviewed and refined annually to ensure relevance to changing dynamics in the operating landscape.

BoC's strategy aims to leverage its inherent strengths which also includes strong market position to transform the Bank to a future-fit, competitive organisation which is able to adapt to the rapid changes in the operating environment. This transformational strategy was launched in 2018 and is reviewed and revised annually as part of the Bank's strategic cycle.

WHERE WE ARE NOW

WHERE WE WANT TO BE

STRENGTHS



- ▶ Market leader in assets, deposits, loans, inward remittances and customer penetration
- ▶ Unparalleled branch network
- ▶ Leading banking brand in the country
- ▶ Credibility associated with state-ownership
- ▶ International presence
- ▶ Extensive stakeholder partnerships

WEAKNESSES



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

OPPORTUNITIES



- ▶ Increased digital adoption by customers
- ▶ Government thrust towards exports and SME sectors
- ▶ Flight to quality during challenging economic times
- ▶ Increased digital literacy in the country
- ▶ Opportunities in pursuing green finance
- ▶ Increased demand for credit in low interest rate regime
- ▶ Changing lifestyles of people with the new normalcy

THREATS



- ▶ Weakened macro-economic climate and stressed external sector
- ▶ Emergence of new variants of the COVID-19 pandemic
- ▶ Downgrade of Sri Lanka's sovereign credit rating
- ▶ Increasing competition from younger, more agile banks
- ▶ Increasing sophistication in customer demands
- ▶ Intensifying implications of climate change
- ▶ Cyber security risk

Excellence in Customer Service

Ensuring a consistent and superior customer service across all our brick and mortar and virtual platforms

Leading the Digital Adoption

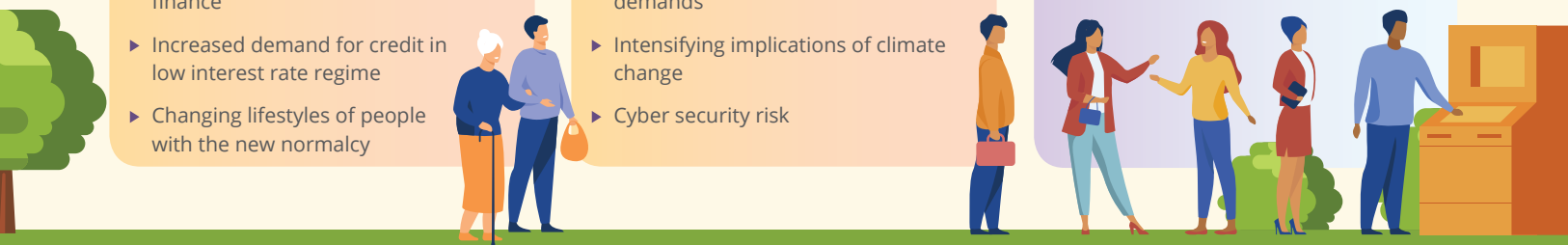
Transforming the experience of both the internal and external customers through adopting cutting-edge technology

Retaining Market Leadership

Leverage on the Bank's brand strength and unmatched customer penetration to maintain market leadership position through relevant products and superior customer experience

Best in Sustainable Banking

Effectively address challenges prevalent in the economic, social and environmental sphere through proactive and meaningful solutions



HOW WE PLAN TO GET THERE

HOW WE MEASURE SUCCESS



Customer Centricity

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



Digital Excellence

- ▶ Growth in digital transactions
- ▶ Customers onboarded to virtual platforms
- ▶ Digitally enabled customers
- ▶ Virtually enabled customers



Rewarding Credit Culture and Healthy Credit Portfolio

- ▶ Growth in loan book
- ▶ Gross NPA ratio
- ▶ Facilities rescheduled/restructured
- ▶ Customer awareness programmes held



Building a High-Performing Team

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



Stability, Governance and Sustainable Growth

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



RESOURCE ALLOCATION AND STRATEGIC OUTCOMES



CUSTOMER CENTRICITY

Highlights of 2021

- ▶ Launched agency banking facilitating door-step banking across the Island
- ▶ Launched BoC Connect, 'BoC Export Circle', Smart Salary Saver and Smart BoC 'Ran Kekulu' Account
- ▶ Numerous customer education and awareness programmes targeting selected sectors including SME, exports and agriculture
- ▶ Investments in upgrading and relocating branches and Smart Zones
- ▶ Addressed several customer-service related issues
- ▶ Digital onboarding of deposit customers
- ▶ Disbursement of cash in rural areas using POS machines

Resources Allocated in 2021



FINANCIAL CAPITAL
LKR 2.2 billion investment in physical and digital infrastructure

LKR 64.1 million investment in training and development



MANUFACTURED CAPITAL
13 branches relocated



HUMAN CAPITAL
39 programmes on customer service for employees



SOCIAL AND RELATIONSHIP CAPITAL
58 customer workshops

Trade-offs

Continued efforts to revive customers through moratoriums and other concessions have impacted the Bank's financial capital through implications on performance. However, this approach has strengthened our Social and Relationship capital through enhancing customer loyalty and satisfaction levels.

KPIs and Outcomes

- + Net promoter score: 40
- + Customer satisfaction score: 79%
- + New customers acquired: 220,406
- + Customer penetration: 65% (2020: 64%)
- + Contact points: 2,071
- + Brand strength: LKR 53.9 billion (+13%)



DIGITAL EXCELLENCE

Highlights of 2021

- ▶ Strengthened digital proposition to corporate clients through addition of features such as fund transfer, EPF/ETF settlements and bill payments to BoC smart online banking corporate module
- ▶ Introduced new features to the BoC Smart Pay app
- ▶ Widened the merchant eco-system in both the Smart Pay app and IPG platform
- ▶ Process automation including RPA technology for debit card deactivation, workflow for website queries and loan approvals
- ▶ Upgrade of Smart Remit, enabling real time remittances
- ▶ Modernisation of data centre

Resources Allocated in 2021



FINANCIAL CAPITAL
LKR 884.0 million investment in digital infrastructure



MANUFACTURED CAPITAL
104 new CRMs added



HUMAN CAPITAL
39 strong team dedicated on driving digital transformation



SOCIAL AND RELATIONSHIP CAPITAL
7,700 POS machines, 88 IPG merchants

Trade-offs

While having a short term financial impact, investments in digital infrastructure will strengthen the Bank's Social and Relationship Capital (through customer convenience and accessibility), Intellectual Capital (through process efficiencies) and Financial Capital (cost savings and increased revenue).

KPIs and Outcomes

- + Growth in digital transactions: 43% (2020: 8%)
- + Customers onboarded to virtual channels: 610,083 (2020: 567,540)
- + Digitally enabled customers: 31% (2020: 28%)
- + Virtually enabled customers: 11% (2020: 7%)



REWARDING CREDIT CULTURE AND HEALTHY CREDIT PORTFOLIO

Highlights of 2021

- ▶ Focus on reviving and supporting customers through renegotiating for much flexible payment terms
- ▶ Close engagement with customers through the Business Revival Unit
- ▶ Continuous training and capacity building for staff on credit appraisal and evaluations
- ▶ Enhancing dedicated resources to the provinces for recovery function
- ▶ Extending CBSL directed moratoriums

Resources Allocated in 2021



FINANCIAL CAPITAL
LKR 380.6 billion moratoriums granted



HUMAN CAPITAL
11 dedicated employees in Business Revival Unit



SOCIAL AND RELATIONSHIP CAPITAL
4,209 facilities rescheduled

Trade-offs

Moratoriums and concessions are likely to have a short-term impact on Financial Capital. Increased investments in enhancing credit skills would strengthen the Bank's Intellectual Capital through nurturing a credit-conscious culture. Over the longer-term this would support the Bank's financial performance through better portfolio quality.

KPIs and Outcomes

- + Growth in loan book 22% (2020: 28%)
- + Gross NPA ratio: 4.5% (2020: 4.8%)
- + Amount of facilities upgraded to performing category by the Business Revival Unit - LKR 35.0 billion
- + Customer awareness programmes held: 58



BUILDING A HIGH-PERFORMING TEAM

Highlights of 2021

- ▶ Increased flexibility for employees to work from home
- ▶ Comprehensive safety measures including facilitating vaccinations, offering interim treatment centres and hospitalisation facilities, awareness programmes, transportation arrangements and provision of all PPE
- ▶ Proactive engagement through tvBOC and other digital platforms
- ▶ Training focus on credit management, digital adoption and customer service skills
- ▶ Executed increments in compensation to all staff under the collective agreement finalised and signed for year 2021-2023
- ▶ Enhancements/renovations done in the welfare holiday homes reserved for the staff (Kataragama Holiday home - New building, Anuradhapura holiday home - renovated)

Resources Allocated in 2021



FINANCIAL CAPITAL
LKR 25.0 billion investment to employees

LKR 286.9 million investments in health and safety including COVID-19 related expenditure

Trade-offs

Investments in ensuring the safety of employees have had an adverse impact on Financial Capital, in short-term although this has strengthened Human Capital through increased loyalty and satisfaction. Ongoing training and development have strengthened the quality of our Human and Intellectual Capital.

KPIs and Outcomes

- Retention rate: 99.5% (2020: 99.6%)
- Training hours per employee 21.2 man hours (2020: 58.3 hrs)
- + Net profit per employee: LKR 4.5 million (+115%)
- + Value added per employee: LKR 3.0 million (+40%)
- + Female representation: 60% (2020: 60%)

RESOURCE ALLOCATION AND STRATEGIC OUTCOMES



STABILITY, GOVERNANCE AND SUSTAINABLE GROWTH

Highlights of 2021

- ▶ Milestone achieved in Balance Sheet strength by surpassing LKR 3.0 trillion in the assets book
- ▶ Comprehensive review of the ESMS policy
- ▶ Funding to the Ministry of Health's 1390 COVID-19 Home-based Care Centre
- ▶ Contributed to climate change mitigation via investing on solar branches and lending to renewable energy
- ▶ Supported climate adaptation via reforestation and tree planting
- ▶ Strengthened IT and cyber security risk frameworks
- ▶ Ensured the continuous service throughout the COVID-19 lockdowns

Resources Allocated in 2021



FINANCIAL CAPITAL

LKR 79.5 million investment in community engagement



MANUFACTURED CAPITAL

51 branches converted to solar



HUMAN CAPITAL

Two staff members of the Sustainability Unit got accredited as 'Sustainability Managers'.

Qualified staff officer was assigned as an ESMS officer

Trade-offs

Increased efforts to embed sustainability to operations and decisions with a long-term vision on strengthening of Social and Relationship capital through meaningful relationships with communities and business partners. Ongoing efforts to reduce the Bank's dependence on fossil fuels through investments in solar are expected to support the preservation of Natural Capital over the long-term.

KPIs and Outcomes

- ⊕ Economic value created: LKR 62.0 billion (+96%)
- ⊕ Community investments: LKR 79.5 billion (+6%)
- ⊖ Carbon footprint: 25,010.5 tCO₂ eqv. (+42%)
- ⊖ GHG emission intensity 3.0 tCO₂ eqv. (+43)
- ⊖ Renewable energy generated: 1,757.5 MWh (-17%)

EMBEDDING SUSTAINABILITY

As Sri Lanka's largest bank, we are acutely aware of the critical role we can play in propagating good social and environmental practices across our universe of stakeholders.

The Bank's aspirations in driving sustainable development are clearly articulated in a comprehensive Sustainability Policy, which centres on the three main dimensions of economic, environmental and social responsibility and is delivered through both the Bank's operations and its CSR initiatives. Our sustainability agenda is also aligned to the ambitions set out by the United Nations Sustainable Development Goals as summarised below and discussed in further detail in subsequent sections of this Report.

OUR APPROACH TO SUSTAINABILITY



ECONOMIC

Financial Inclusion

Provide access to finance and nurture a savings culture in the country's most underserved communities

Development lending for entrepreneurship development



SOCIAL

Corporate Social Investments

Strategic CSR initiatives with meaningful and long-term outcomes

Strong HR practices
 Equal opportunity employer, diverse and inclusive culture with high level of gender diversity



ENVIRONMENTAL

Operations

Continuous commitment to reducing the environmental impacts of our operations through GHG assessments, solar conversion project and green building concepts, among others

Integration of ESG aspects to core business
 Inclusion of environmental criteria into the credit evaluation decision and introducing dedicated green finance portfolio

SUSTAINABILITY GOVERNANCE

The Board provides oversight on all sustainability-related matters, while responsibility for actioning the Bank's sustainability agenda lies with the Sustainability Committee, which is chaired by the General Manager. The Committee consists of Deputy General Managers of all key business verticals and support functions, thereby ensuring that sustainability is a cross-functional and organisation-wide discipline. The Bank ensures it is fully compliant with all relevant environmental and socio-economic regulations and during the year under review, there were no instances of non-compliance.

BOARD OF DIRECTORS

- ▶ Ensure Environment and Social Governance is in place
- ▶ Provide oversight on ESG matters

SUSTAINABILITY COMMITTEE

- ▶ Develop and timely revisions of the Sustainability Policy
- ▶ Evaluate, promote, and approve sustainability initiatives in line with the Policy
- ▶ Monitor progress of the initiatives
- ▶ Integrate sustainability considerations into the Bank's overall strategy and daily operations

SUSTAINABILITY UNIT

- ▶ Responsible for implementing and co-ordinating all sustainability initiatives of the Bank
- ▶ Sustainability reporting
- ▶ Active engagement with internal and external stakeholders in operationalising the sustainability agenda

EMBEDDING SUSTAINABILITY

OUR CONTRIBUTION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs)



No Poverty

BoC drives financial inclusion among vulnerable communities through its micro-financing initiative “Mithuru” and disbursements of varies scheme loans as a Participatory Financial Institution which allows these segments to lift themselves out of poverty

Target 1.1

By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than USD 1.25 per day

2,243 microfinance groups supported

Target 1.4

By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance

LKR 84.5 billion development lending granted during the year



Zero Hunger

We continue to support the development of the country’s agriculture sector through loan schemes targeting key sub-sectors

Target 2.3

By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment

LKR 35.7 billion development lending disbursed to the agriculture, dairy and poultry sectors in 2021 through 1,623 facilities





Good Health and Well-being

During the year, BoC played a key role in facilitating the importation of COVID-19 vaccines and related medical equipment and other essential medical and pharmaceutical supplies to the country

Target 3.b

Support the research and development of vaccines and medicines for communicable and non-communicable diseases that primarily affect developing countries, provide access to affordable essential medicines and vaccines

Facilitated importation of COVID-19 vaccines through financing USD 138.0 million



Gender Equality

We are committed to create opportunities for women, both within the Bank and outside the Bank

Target 5.5

Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life

60% overall female representation including 42% at Management level

Target 5.a

Undertake reforms to give women equal rights to economic resources

LKR 86.7 billion lending to women during the year



Quality Education

Education is a key pillar of the Bank's sustainability agenda and we have implemented several strategic ongoing projects to support both primary and secondary education of school students

Target 4.1

By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education, leading to relevant and effective learning outcomes

Scholarships and educational support to 2,087 students and 252 youth

Target 4.4

By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

176,418 total training hours to employees
 Training internships programme related certificates issued to 2,253 school leavers and university students who completed the programme



Clean water and Sanitation

The Bank is committed to fund projects which enhance national water supply and drainage and irrigation facilities across the country

Target 6.1

By 2030, achieve universal and equitable access to safe and affordable drinking water for all

LKR 43.7 billion total lending to Water Supply and related services



EMBEDDING SUSTAINABILITY

OUR CONTRIBUTION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs)

7



Affordable and Clean Energy

The Bank launched an ambitious programme to convert its branches to solar power

Target 7.2

By 2030, increase substantially the share of renewable energy in the global energy mix

LKR 675.5 million lending to renewable energy projects

7% of the Bank's electricity consumption is generated by solar power

9



Industry Innovation and Infrastructure

The Bank directs funding towards Government and private sector large infrastructure projects, aligned to the Government's development agenda and thrust areas

Target 9.1

Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

LKR 445.1 billion lending towards infrastructure development

11



Sustainable Cities and Communities

Housing loans are a significant component of the Bank's loan portfolio and we offer several schemes at concessionary interest rates.

Target 11.1

By 2030, ensure access for all to adequate, safe and affordable housing and basic services to all and upgrade slums

LKR 77.6 billion of housing loans portfolio.

8



Decent Work and Economic Growth

With 8,337 number of staff BoC ensures inclusive and fair compensation structures for all its employees being recognised as an industry renowned employer

Target 8.5

By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with differently abled people, and equal pay for work of equal value

Strong employee proposition to 8,337 employees

Target 8.2

Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including focus on high-value added and labour-intensive sectors

21% YoY growth in business per employee

10



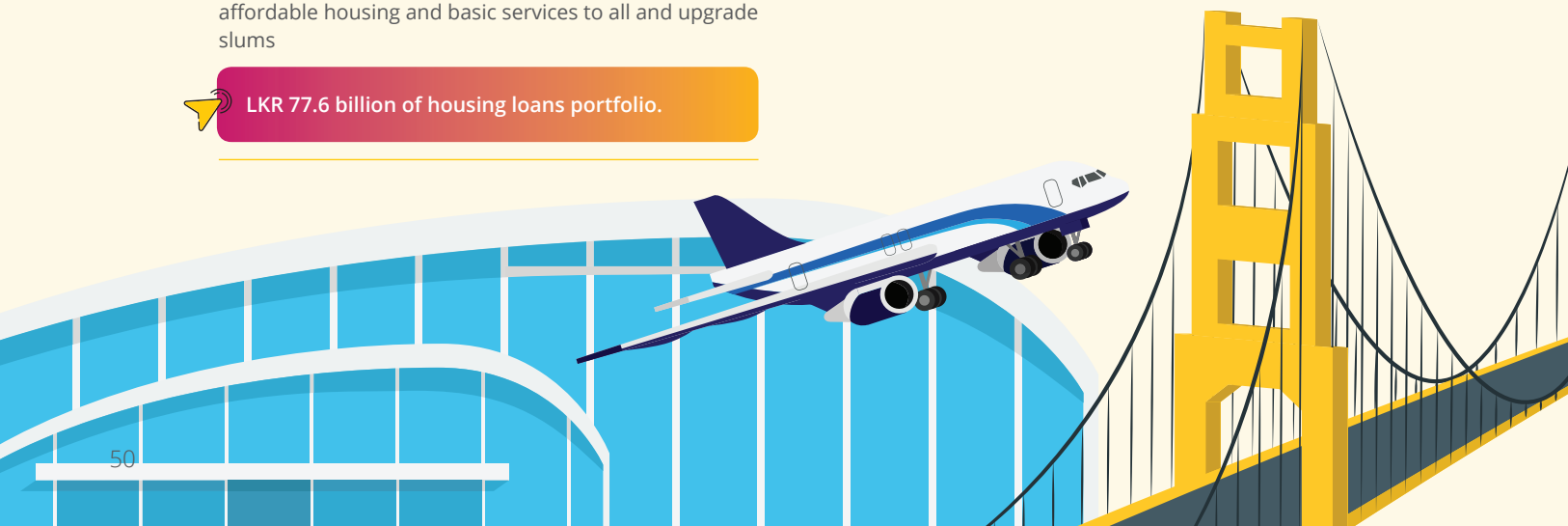
Reduced Inequalities

Through its unparalleled network of customer contact points and door-step banking proposition, BoC has reached the country's grassroot communities, driving access to financial services and financial literacy

Target 10.2

By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, economic or other status

55 branches and 90 contact points in economically deprived areas





Responsible Consumption and Production

The Bank's recent thrust towards digital capabilities and process automation has resulted in the sustained decline of paper consumption and waste while responsible consumption and production practices are propagated through the Bank's Sustainability Policy

Target 12.2

By 2030, achieve the sustainable management and efficient use of natural resources

14.5 MT of paper saved through automation

Target 12.5

By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

14.0 MT of paper recycled



Climate Action

The Bank conducts a comprehensive assessment of its carbon footprint and is driving concerted efforts

Target 13.2

Integrate climate change measures into national policies, strategies and planning

Climate change and environmental footprint recognise as a material topic in strategy formulation



Life on Land

The Bank's "Haritha Arana" project aims to contribute towards increasing the country's forest cover in line with the Government's "Wana Ropa" initiative

Target 15.2

By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally

BoC invested LKR 11.0 million during the year in nurturing more than 8,000 trees it planted in 100 hectare degraded forest patch in Habarana and helped its regeneration



Peace and Justice Strong Institutions

The Bank promotes highest level of transparency and integrity in all its transactions via strong policies in place

Target 16.5

Substantially reduce corruption and bribery in all their forms

Anti-Corruption and Anti Bribery Policy in place

Target 16.10

Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements

Adherence to Right to Information Act



Partnerships for the Goals

The Bank leverages partnerships across its ecosystem to drive shared value creation through mutual partnerships

Target 17.17

Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

Work closely with peer banks in the Sri Lanka Banks Association Sustainable Banking Initiative (SLBA - SBI)
 The Bank, during the year partnered with Asian Infrastructure Investment Bank to help COVID-19 affected businesses through a dedicated funding line

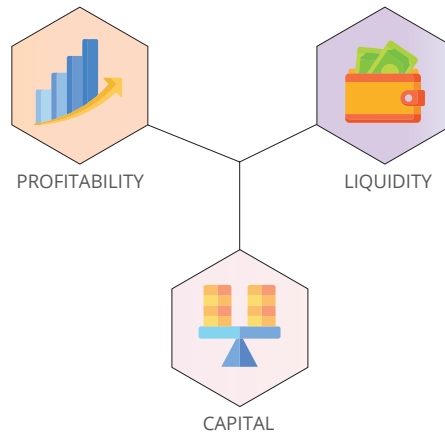


CHIEF FINANCIAL OFFICER'S REVIEW



In managing financial capital, the Bank's triple priorities centered on increasing its Return on Equity (ROE), strengthening capital and preserving liquidity levels. This was mainly actioned through continued focus on the Bank's strategic pillar of Stability, Governance and Sustainable Growth.

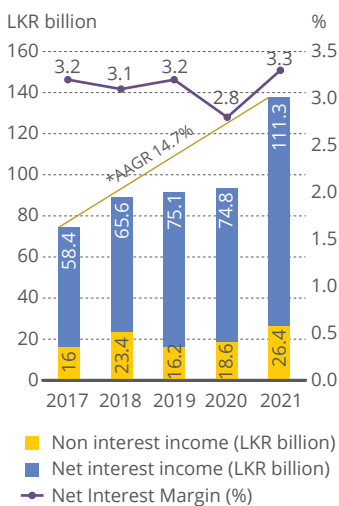
During the year, the Bank made considerable progress in delivering these objectives, with ROE nearly doubling, capital ratios strengthening despite the strong loan growth and the Bank preserving both domestic and foreign currency liquidity levels.



TOTAL INCOME

Pursuit of a focused strategy centring on supporting pandemic-affected businesses and reviving the economy enabled the Bank to remain resilience in a year rife with external challenges. The Bank recorded a 18% growth in Total Income, supported by broad-base expansion of its fund, fee-based and other income.

Trends in Income

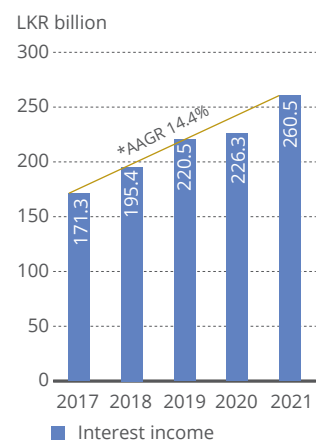


Strong growth in NII and other income

Widening of NIMs supported by proactive repricing decisions and a strong funding profile

*Average Annual Growth Rate

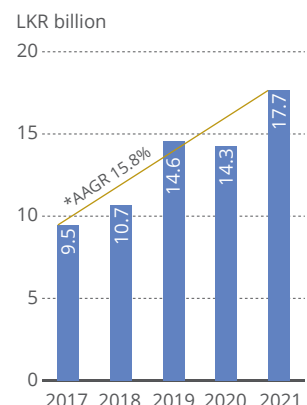
Fund Based Income



► **Fund-based income:** Despite the prevalent low interest rate environment, BoC's fund-based income increased by 15% to LKR 260.5 billion during the year, supported by a 22% expansion of loans and advances. Loan growth was driven primarily by overdrafts, terms loans and personal loans. Interest income on loans and advances contributed 74% to total interest income and increased by 12% during the year. Meanwhile, interest income earned on the Bank's investment portfolio also increased by 21% to LKR 67.1 billion, as excess liquidity was channelled towards investment instruments. Meanwhile the Bank's interest expenses decreased by 2% to LKR 149.3 billion, reflecting timely repricing decisions and an improvement in the Bank's CASA ratio. As a result, the Bank's Net Interest Income (NII) surged by 49% to LKR 111.3 billion during the year and accounted for 81% of Operating Income.

► **Fee and Commission income:** The Bank's net fee and commission income increased by 19% to LKR 14.2 billion driven by strategic focus on driving digital adoption, which in turn led to a 42% increase in income from credit and debit card related services. Growth in fee income was also supported by a two-fold increase in income from trade businesses with the improvement in import and export activities as the country started to operate under the new normal situation. This also reflects the Bank's strategic thrust towards strengthening export income through 'BoC Export Circle'.

Fee and Commission Income



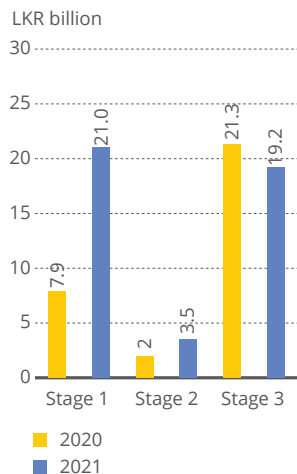
► **Other income:** Other Income comprises trading and fair value gains/losses from the Bank's investment portfolio as well as foreign exchange income. During the year, Other Income nearly doubled to LKR 12.2 billion supported by the following:

- 85% increase in foreign exchange income from trading activities due to the sharp depreciation of the Sri Lankan Rupee against the US Dollar
- 45% growth in gains from financial instruments in view of the upturn in stock market indices during the first nine months of 2021
- More than three-fold increase in foreign exchange revaluation gains due to the depreciation of the Sri Lankan Rupee against the US Dollar

IMPAIRMENT CHARGES

Macro-economic pressure together with periodic pandemic-led disruptions had an inevitable impact on portfolio quality. BoC's strategy centred on supporting its customers during these challenging times, thereby contributing towards their long-term sustainability, rather than pursuing aggressive recovery. This conscious approach towards customer revival, together with impairments on foreign currency denominated sovereign bonds, resulted in the Bank's impairment charges increasing by 40% to LKR 43.7 billion during the year.

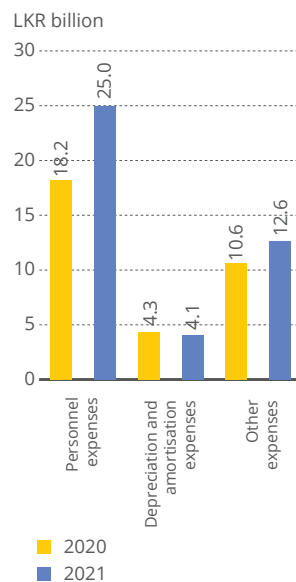
Impairment charges



Despite the increase in impairment charges, the Bank's portfolio quality as measured by the gross NPA ratio improved to 4.5%, from 4.8% the previous year. BoC has continued to adopt stringent and prudent provisioning policies and given the high degree of uncertainty that prevailed during the year, an additional expected loss provision was made on risk elevated industries and capturing the economic downturn under expected loss provisioning methodology the Economic Factor Adjustment (EFA) was also revised by giving more weight to worst case bucket. Stage 3 impairment reserve increased by 19% while Stage 2 impairment reserve also recorded a growth of 32% during the year. Resultantly, the Bank's loan-to-impairment provision reserve ratio to settle at 6% while Stage 3 impairment provision as against Stage 3 loans and advances ratio reported as 49%. During the year, a Business Revival Unit was also established to proactively monitor and offer solutions for stressed facilities.

EXPENSE MANAGEMENT

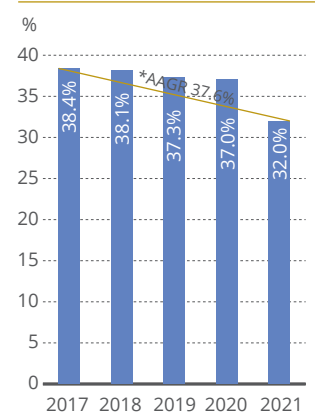
Cost Management



Operating expenses increased by 26%, mainly due to a 37% increase in personnel expenses which comprise the most significant cost component. The increase in staff costs is a reflection of the Bank's strategic focus on recognising and rewarding talent as salary scales were revised upwards in accordance with the collective agreement. The Bank also absorbed Trainee Staff Assistants to the

permanent cadre which also contributed towards the increase in personnel costs. Meanwhile, other expenses increased by 18% due to an increase in deposit insurance premium in line with deposit growth and cost escalations stemming from stringent safety measures at all operating locations. Despite this increase, the Bank's cost-to-income clocked in at just 32%, reflecting ongoing efforts towards automating and digitalising processes, increasing productivity and optimising resources.

Cost to Income Ratio



TAXATION

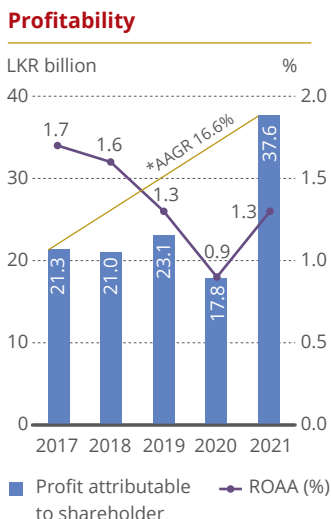
Value creation to the Government in the form of taxes increased by 35% to LKR 18.9 billion during the year. VAT on financial services increased by 65% to LKR 9.0 billion in line with the strong growth in operating profitability. As per the section 51(4) of the Inland Revenue Act No. 10 of 2021, the corporate income tax rate has been revised from 28% to 24% with effect from 2020. Accordingly, the income tax liability of the Bank for the year 2021 reduced by LKR 724.9 million. However, the income tax expense for the year 2020 is disclosed at the tax rate of 28% and the difference between tax rates from 28% to 24% is included in the adjustments in respect of prior years. Income tax expenses for the year amounted to LKR 5.6 billion, a marginal decline compared to the previous year mainly due to reduction in tax rate.

Excluding these prior year and deferred tax adjustments, the Bank's income tax expense is estimated at LKR 10.3 billion for the year.

*Average Annual Growth Rate

CHIEF FINANCIAL OFFICER'S REVIEW

PROFITABILITY



Growth in the loan portfolio, together with effective management of margins, portfolio quality and expenses enabled the Bank to deliver an 83% increase in pre-tax profit to LKR 43.2 billion during the year, a commendable achievement given the unprecedented market challenges that prevailed during the year. Meanwhile, profit after tax for the year more than doubled to a record-high of LKR 37.6 billion, demonstrating the Bank's ability to deliver multi-stakeholder value through balancing the often-competing interests of its diverse stakeholders. Return on Average Equity (ROAE) increased substantially to 21.0% from 11.9% the previous year. Return on Average Assets (ROAA) improved during the year to 1.3% in line with the profit growth.

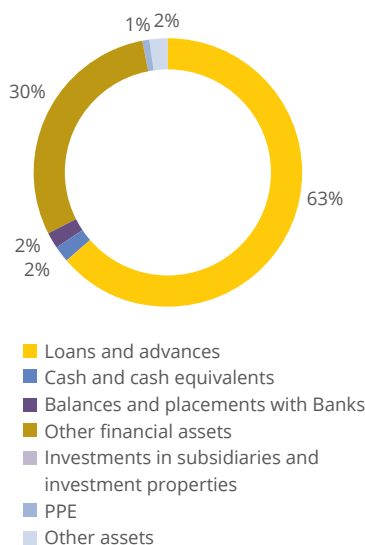
OTHER COMPREHENSIVE INCOME (OCI)

The Bank's Other Comprehensive Income for the year amounted to LKR 8.4 billion, compared to losses of LKR 1.8 billion recorded last year. The improvement reflects net actuarial gains on defined benefit plans in line with the interest rates movements, resulting from which the Bank's total comprehensive income for the year clocked in at LKR 45.9 billion.

Growth in the loan portfolio, together with effective management of margins, portfolio quality and expenses enabled the Bank to deliver an 83% increase in pre-tax profits to LKR 43.2 billion during the year, a commendable achievement given the unprecedented market challenges that prevailed during the year.

ASSETS

Asset Composition



With strong asset expansion of 28% during the year, the Bank's balance sheet reached LKR 3.8 trillion by end-December 2021 cementing its industry leadership position while passing another milestone in its growth story. Asset growth was driven primarily by loans and advances, which grew by 22% as the Bank continued to inject liquidity to stimulate pandemic-affected industries and businesses. The asset composition remained relatively unchanged with credit assets accounting for 63% of total assets.

Loans and advances: The Bank's loans and advances surpassed the LKR 2.0 trillion mark during the year supported by broad-based growth across industries and product verticals. Lending to the private sector increased by 9% driven by expansion in overdrafts, personal loans and term loans.

The low interest rates regime prevailed mostly during the year and starting business activities under the new normal situation backed the increased credit demand. Working capital requirements of both the private and public sector were catered to and reflected in the increase of overdraft facilities by 73% and growth in term loans by 12%. Personal loan facilities grew by 19% during the year as the ease of travelling restrictions and successful rollout of the vaccination programme brought the lifestyle back to normal in a new form.

As a State owned bank, BoC strives to uphold the SME sector of the country and as of year end the Bank has disbursed more than LKR 130.5 billion to SME sector mostly under 'Divi Udana' and bundled loan schemes.

Quality of our loan portfolio is always under thorough monitoring and the necessary prudential approach is always taken to maintain adequate provision levels in order to capture the expected losses. Management overlays and risk adjustments were made in making the impairment provisions to reflect the COVID -19 impact on loans and advances and the impact of the country downgrading was also taken in to account in line with CBSL directions and SLFRS 09.

► **Liquidity and investments:** Despite unprecedented market volatility, the Bank's local and foreign currency liquidity positions remained healthy during the year. Foreign currency liquidity was upheld by good growth in remittance inflows, as the Bank leveraged its market leadership status and extensive reach. Investments in Government securities increased to LKR 1,082.2 billion during the year while all liquidity coverage ratios remained comfortably above the regulatory minimums.

*Average Annual Growth Rate

LIABILITIES AND CAPITAL

Total liabilities increased by 28% to LKR 3.6 trillion, led by 16% growth in deposits and a two-fold increase in other borrowings. With a deposit base of LKR 2.9 trillion, BoC maintained its market leadership position in deposits, supported by its unparalleled geographical reach and brand equity. Of the total deposits, 21% comprise foreign currency deposits which increased by 10% during the year, amounting to LKR 613.2 billion. The Bank's CASA ratio increased to 36% (35% from the previous year) and was a key factor behind the Bank's wider NIM in 2021.

Given macro-economic uncertainty and accelerated loan growth, BoC sought to strengthen its capital base during the year. As a State-owned entity, BoC has limited avenues to enhance its capital base and is therefore compelled to rely on internally generated funds. During the year, capital was also enhanced by a dividend policy which prioritised strengthening the capital adequacy through internal capital generation. Accordingly, strong profit retention during the year led to the Bank's retained earnings increasing by 41% to LKR 136.7 billion, which in turn resulted in the shareholders' funds increasing by 28% to LKR 200.7 billion. Resultantly, the Bank's Common Equity Tier 1 capital ratio increased to 12.9% while the total capital ratio clocked in at 17.8% by end-December 2021. Tier 1 Capital strengthened by an issue of LKR 3.4 billion unlisted, unsecured, subordinated perpetual capital bond. Tier 2 capital was also strengthened by the issue of LKR 5.2 billion unlisted, unsecured, subordinated, redeemable debentures in November 2021.

GROUP PERFORMANCE

At a consolidated level, Group pre-tax-profit for the year doubled to LKR 44.6 billion, with contributions from Group companies increasing by over 200%. As at end 2021 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

Europe 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.

Highlights in Group activities during the year included the following:

- ▶ BoC infused LKR 1.7 billion to its subsidiary Merchant Bank of Sri Lanka in September 2021, supporting its turnaround into a profitable entity during the year. As a licensed leasing and financial establishment, MBSL is able to cater to a market segment which often falls outside the risk appetite of the Bank.
- ▶ Koladeniya Hydropower (Private) Limited which was an indirect subsidiary of the Bank was disposed.
- ▶ Transfer of shareholding held by BOC Management Support Services (Private) Limited on Ceybank Holiday Homes (Private) Limited to BOC Property Development and Management (Private) Limited.
- ▶ The Bank also initiated plans to delist a property management subsidiary from the Colombo Stock Exchange, with completion expected in 2022.

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 the importation of essential items and engaging with customers to ensure their long-term sustainability. In line with these aspirations, BoC will also focus on enhancing its capital position through internal profit generation and debenture issues to drive its growth plans. We also hope to obtain direct international funding from International Development Finance Agencies 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.



W P Russel Fonseka
Chief Financial Officer

24 February 2022
Colombo

BUSINESS LINE REVIEWS



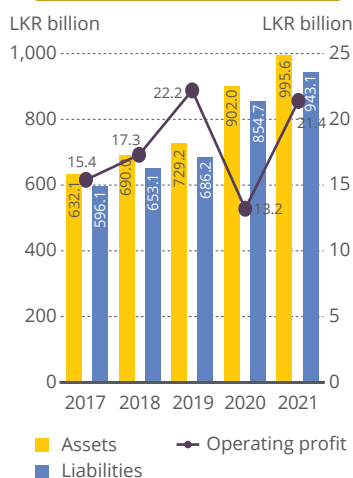
RETAIL BANKING

BoC Retail banking offers individuals, entrepreneurs and SMEs a range of lending, investment and transactional banking solutions through over 2016 retail touch points across the Island. During the year the cluster focused on ensuring customers had uninterrupted access to banking services while proactively supporting them to recover from the devastating economic impact of COVID-19.

PERFORMANCE HIGHLIGHTS 2021

The Retail Banking cluster performed well during the year, recording an asset growth of 10% and more than two-fold increase in operating profits.

Retail Segment Performance



IMPACTS FROM THE OPERATING ENVIRONMENT

- ➕ Extension of CBSL moratorium schemes
- ➕ Strong policy support for SMEs and identified priority sectors
- ➖ Disruptions caused by recurring waves of the pandemic
- ➖ Upward trend in interest rates towards the second half of the year

LKR 53.1 billion

Net Interest Income

LKR 995.6 billion

Assets

DEPOSITS

Deposits grew by 16%, an impressive growth considering the low interest rate environment that prevailed during much of the year. The CASA ratio meanwhile was maintained at 45% as a result of focused efforts to mobilise deposits across the country and attesting to the Bank's unmatched deposit franchise and brand strength.

LOANS AND ADVANCES

Loan and advances grew by 7% while loans granted through the "Divi Udana" loan scheme aimed at supporting the revival of the SME sector. Scheme loan portfolio of the sector exceeded LKR 90.0 billion as at end of the year 2021 which includes lending to SMEs in the sectors such as tourism fisheries, agriculture and animal husbandry which were significantly impacted by the pandemic. During the year we launched a loan scheme for organic fertiliser manufacturing whilst continuing to lend to key development projects in the passenger transport sector and agricultural sector. We also introduced a new housing loan scheme, "Sonduru Kadalla" for public and private sector employees whilst extending personal loan schemes for a range of professionals.

LKR 21.4 billion

Operating Profit

LKR 943.1 billion

Liabilities

TRANSACTIONAL BANKING

Debit card and credit card transactions value increased by 33% and transaction volume increased by 30% amidst unprecedented digital adoption and growth in branchless banking. This reflects the Bank's strategic thrust towards driving digital enablement among its customers.

MORATORIUMS

As at end December 2021, 5% of Retail Banking portfolio were under moratorium compared to 35% as at December 2020. While the most moratoriums ended in December 2021, the tourism sector moratoriums were further extended up to June 2022.

PORTFOLIO QUALITY

Portfolio quality was impacted by the ongoing economic impact of the pandemic with the gross NPL ratio maintained at 4.9% during the year. Efforts during the year remained focused on business revival and long term sustainability of customers rather than recovery action.



PERFORMANCE AGAINST STRATEGY



CUSTOMER CENTRICITY



DIGITAL EXCELLENCE



REWARDING CREDIT CULTURE AND HEALTHY CREDIT PORTFOLIO



BUILDING A HIGH-PERFORMING TEAM



STABILITY, GOVERNANCE AND SUSTAINABLE GROWTH

- ▶ All branches were kept open for restricted banking hours during the third wave of COVID-19 despite lockdowns
- ▶ Ongoing support for customers affected by the pandemic through extending CBSL moratoriums
- ▶ Working capital loans for those affected by the COVID-19 pandemic
- ▶ Dedicated unit to support post pandemic business revival
- ▶ Deployed all “Branch on Wheels” mobile vehicles to take banking services to customer door step during the pandemic period
- ▶ Special savings scheme introduced for farmers/ fishermen
- ▶ Launched BoC Smart ‘Ran Kakulu’ saving product
- ▶ Launched “SME Online” loan application facility
- ▶ Digitalisation of facility application and repayments
- ▶ Enhanced engagement with customers through digital channels
- ▶ Online approval of personal loan facilities and leasing facilities
- ▶ Launched BOC CONNECT, a new service channel to provide banking to the rural, underbanked segments
- ▶ New loan products launched – BoC ‘Shashrika’ and ‘Soduru Kedella’
- ▶ Proactive monitoring of potential NPAs
- ▶ Process efficiencies through 14 Regional loan centres to process loans faster and maintain quality
- ▶ Through its micro-financing initiative, ‘BoC Mithuru, the Bank drives financial inclusion through providing access to finance to the country’s most vulnerable communities. Lending to this segment amounted to LKR 16.0 billion in 2021
- ▶ Special transport arrangements were made for staff to report to work
- ▶ PPEs were provided for the staff
- ▶ Training and meetings were conducted mostly online to restrict gathering
- ▶ BoC spirit award was conducted via tvBOC to ensure the staff momentum and engagement
- ▶ 51 branches converted to solar branches as at end of the year.
- ▶ 12 branches are being constructed as per the Green Building Standards

WAY FORWARD

We remain committed to driving growth from the grassroots and will continue to support individuals, SME and micro entrepreneurs with access to funding and personalised financial solutions that expedite post COVID-19 revival. Digitalisation of financial services will also remain a priority as we strive for greater financial inclusion and access. Meanwhile we will continue to focus on enhancing the skills of the credit officers across our branch network through ongoing training opportunities.

Opportunities

- ▶ Significant growth prospects in the SME and Micro sectors
- ▶ Greater digital adoption by customers

Risks

- ▶ A delayed economic recovery could negatively affect the portfolio quality
- ▶ Continued import and FOREX restrictions

BUSINESS LINE REVIEWS



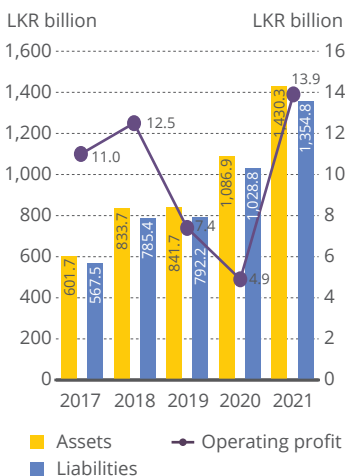
CORPORATE AND OFFSHORE BANKING

Corporate and Offshore Banking Division offers private sector organisations, Government and State-Owned-Enterprises a gamut of financial services including project lending, trade financing and offshore banking facilities. As one of the largest lenders to the nation with an asset base of LKR 1,430.3 billion as at end 2021, the cluster plays a pivotal role in driving the country’s economic growth.

PERFORMANCE HIGHLIGHTS 2021

The Corporate and Offshore Banking cluster delivered a resilient performance in 2021, supported by a portfolio growth of over 33% and NII expansion of 58%.

Corporate Cluster Performance



IMPACTS FROM THE OPERATING ENVIRONMENT



- ⊕ Extending debt moratoriums and other concessions supported to maintain asset quality
- ⊕ Increased lending to export sector as a national priority
- ⊖ Decreased in cross border transactions due to import restrictions
- ⊖ Trade finance was negatively impacted by import restrictions

LKR 34.6 billion

Net Interest Income

LKR 13.9 billion

Operating Profit

LKR 1,430.3 billion

Assets

PRIVATE SECTOR LENDING

Lending to the private sector which accounts for 25% of the cluster's total loan portfolio grew by 33% as we scaled up support to the private sector with several concessionary funding lines aimed at spurring growth in the sector. Meanwhile moratoriums were granted to over 3,300 corporate facilities which is amounting to approximately 3% of the sector’s portfolio.

PROJECT LENDING

As a key lender to the Government, the Bank continued to support Government efforts to revive the national economy by funding key infrastructure projects in the country such as highway construction and renewable energy projects among others.

TRADE FINANCE

The Bank’s continuous efforts in financing exporters and the lead taken in facilitate essential imports resulted new clients being added to our client base and impacted the division’s performance positively, resulting in Trade finance short term loans to increase by 8% to LKR 57.5 billion during the year. Fee and Commission income also increased due to improvements reported in trade finance business operations under the new normal environment. BoC took a lead in the importation of essential items to the

LKR 1,354.8 billion

Liabilities

country such as pharmaceuticals including COVID-19 preventive vaccines, petroleum, gas and other essential food items among many other essentials needed to keep up the daily lives of the people of the country.

OFFSHORE BANKING

Import restrictions curtailed cross border transactions, negatively impacting the division’s operations during the year. As at the end of 2021, the offshore banking loan portfolio of the Bank stood at LKR 356.4 billion.

It is also worth mentioning that the Offshore Banking Division became the settlement bank for the Sri Lanka Inter-bank USD clearing system during the year and now provides Inter-bank USD clearing for the entire banking industry in the country.

PORTFOLIO QUALITY

Continuously engaging with customers and proactively offering moratoriums and facility restructuring enabled the cluster to manage the NPA at its expected range given the challenging conditions. Accordingly, the gross NPA ratio in the sector’s private lending amounted to 7.3% as at 31 December 2021. We expect the NPA to reduce in the year 2022 in line with the gradual resurgence of economic activities and business revival.



PERFORMANCE AGAINST STRATEGY



CUSTOMER CENTRICITY



DIGITAL EXCELLENCE



REWARDING CREDIT CULTURE AND HEALTHY CREDIT PORTFOLIO



BUILDING A HIGH-PERFORMING TEAM



STABILITY, GOVERNANCE AND SUSTAINABLE GROWTH

- ▶ Ongoing engagement with customers through the dedicated Business Revival Unit to offer personalised solutions to ease cash flow constraints and support business revival
- ▶ Emphasis on customer service through staff training programmes
- ▶ 360 days service to Corporate clients despite COVID-19 related social distancing measures
- ▶ Expanded our digital proposition to corporate clients with a range of features including online account opening, RTGS-B-SWIFT system for online RTGS payments, EPF/ETF direct debit facilities and 20 explore system introduced to convert export proceeds to LKR.
- ▶ Facilitation of Inland Revenue Department payments via Smart Online Banking Corporate Module.
- ▶ Established 'BoC Export Circle', as a one stop shop for aspiring export oriented SMEs to obtain financial and non-financial support.
- ▶ Over 117 loans granted to COVID-19 impacted SMEs through Asian Infrastructure Investment Bank (AIIB) funding line
- ▶ Remote working access granted to selected employees of the corporate segment
- ▶ Special transport arrangements made for employees to report to work during lockdown
- ▶ Virtual training and meetings
- ▶ Ongoing ESG training for Project Finance teams in the Corporate segment

WAY FORWARD

We will continue to support the Government in its efforts to revive the economy in post COVID-19 through working capital and essential import financing and a greater focus on export and import substitute manufacturing based financing. We are optimistic that private sector credit growth will move on an upward trajectory supported by fiscal and monetary policy stimuli and will continue to enhance our offering in terms of product innovation, digitalisation and superior customer service with special focus to opportunities stemming from ongoing and new large scale projects and reaching to unreached geographies.

Opportunities

- ▶ Funding opportunities arising from new large scale infrastructure development projects
- ▶ Increased trade financing opportunities due to export thrust and gradual recovery of economy

Risks

- ▶ Prolonged import restrictions
- ▶ Recurring waves of the pandemic and impact on socio-economic conditions, delaying the economic recovery will impact the portfolio quality

BUSINESS LINE REVIEWS



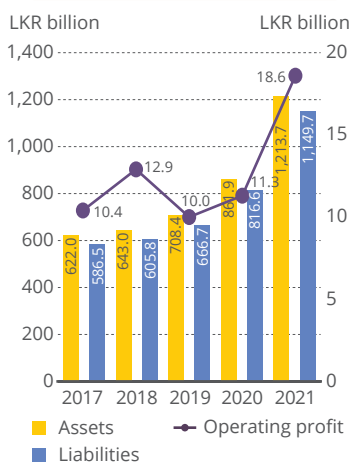
INTERNATIONAL, TREASURY, INVESTMENT AND OVERSEAS OPERATIONS

Cluster operations consist of the International operations which is responsible for facilitating the Bank's foreign currency related transactions, Treasury operations which manages the liquidity and fund management operations, Overseas Division which manages the overseas branches and Investment Division which conducts the investment activities.

PERFORMANCE HIGHLIGHTS 2021

The Cluster's operating profit increased by 69%, driven by strong performance of the International and Treasury divisions.

International, Treasury, Investment and Overseas Operations Performance



IMPACTS FROM THE OPERATING ENVIRONMENT



- Macro economic challenges including the prevalent stressed foreign exchange positions
- Gradual increase in interest rates following the upward revision in the Policy rate in later part of the year 2021
- Gradual recovery of overseas markets
- Downgrade of Sri Lanka's sovereign rating

LKR 24.8 billion

Net Interest Income

LKR 1,213.7 billion

Assets

TREASURY

The Unit placed strategic emphasis on managing the Bank's foreign currency liquidity position given the volatile market conditions. Meanwhile the gradual uptick in market interest rates towards the latter part of 2021, necessitated proactive monitoring of asset and liability repricing. Despite pressure on funding costs, BoC successfully maintained its net interest margins during the year; the Bank also maintained adequate liquidity buffers, directed investments towards Government securities and negotiated long-term financing facilities from foreign borrowers. Timely disposal of Government securities also enabled the Bank to mitigate exposure to losses in the trading portfolio.

INTERNATIONAL DIVISION

BoC increased its share of inward remittances, with its market leadership position strengthening from 40% to 41% during the year. The Bank increased its remittance inflows by 29%, thereby facilitating critical forex inflows to the country. This also enabled BoC to support the uninterrupted import of essential goods including petroleum, gas, vaccinations for COVID-19 and food items, despite the prevalent stress on foreign exchange. The Division formed 18 new correspondent banking relationships, thereby strengthening its position in the American region, while continuing to leverage

LKR 18.6 billion

Operating Profit

LKR 1,149.7 billion

Liabilities

on partnerships with 92 exchange houses and 801 correspondent relationships. The Division also focused on driving operational efficiencies and service excellence while pursuing further penetration in new and existing markets.

OVERSEAS

The Division performed relatively well, supported by gradual improvements in our overseas markets, particularly in Maldives. While recovery has been slower in Chennai and Seychelles, performance of branches have remained within expectations. Despite the ending of moratoriums, portfolio quality has been maintained by proactive monitoring and customer engagement. During the year, strategic focus was placed on enhancing internal efficiencies and the customer experience through strengthening digital capabilities.

INVESTMENT BANKING

The Division recorded strong turnaround supported by gains in the equity market. The Division also played a key role in enhancing the Bank's capital through the issue of LKR 3.4 billion BASEL III compliant, subordinated, perpetual Tier I capital bonds and LKR 5.2 billion BASEL III compliant, subordinated, Tier II debentures.



PERFORMANCE AGAINST STRATEGY



CUSTOMER CENTRICITY



DIGITAL EXCELLENCE



REWARDING CREDIT CULTURE AND HEALTHY CREDIT PORTFOLIO



BUILDING A HIGH-PERFORMING TEAM



STABILITY, GOVERNANCE AND SUSTAINABLE GROWTH

- ▶ Partnered with the Sri Lanka Foreign Employment Bureau to conduct 42 awareness programmes for prospective and current migrant workers with 2,100 participants
- ▶ Uninterrupted operations at the Bandaranaike International Airport counter, despite pandemic-led disruptions
- ▶ International customer support unit through social media being set-up at International Division
- ▶ Placing more representatives covering areas and countries where Sri Lankan migrant employees are stationed
- ▶ Strengthening the corresponding network with new employees being deployed at exchange houses and agents

- ▶ The International Division upgraded its SMART Remit system thereby enabling real-time crediting of the remittances to the recipient account
- ▶ Digitalisation of back-office operations in overseas branches
- ▶ Launch of new internet and mobile banking platforms for the Malé branch

- ▶ Restructuring pre-departure loan schemes and credit facilities available for migrant employees to be more attractive and hassle free
- ▶ Managing NPA of overseas branches

- ▶ Facilitate the COVID-19 related medical and quarantine requirements of overseas staff at the expense of the Bank
- ▶ Continuous training for Overseas Branch staff

- ▶ Emphasis on proactively managing the Bank's forex liquidity position, given the prevalent forex limitations in the country
- ▶ Timely repricing decisions to effectively manage the Bank's net interest margins

WAY FORWARD

Plans are underway to enhance non-debt forex inflows through leveraging our international partnerships. We will also seek to widen our product portfolio, particularly in Investment Banking and Treasury with the launch of margin trading and other derivative trading options. Digitalisation remains a key short to medium-term priority, as we seek to strengthen the digital proposition of our overseas branches.

Opportunities

- ▶ Expansion of our overseas presence through entry into new markets
- ▶ Digitalisation of operations to drive increased efficiencies and transformation of the customer experience
- ▶ Increasing exposure to equity market investments

Risks

- ▶ Macroeconomic challenges including acute shortage of foreign currency and fiscal constraints
- ▶ Equity market volatility
- ▶ Resurgence of infections with the emergence of new variants of COVID-19

STAKEHOLDER OUTCOMES



CUSTOMERS

With an unmatched penetration rate of 65%, BoC caters to over 14.4 million individuals, micro-enterprises, SMEs, corporates and State-Owned Enterprises across the island.

LISTENING TO OUR CUSTOMERS

Engagement platforms

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

What they require

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

How we responded

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

In delivering the Customer Centricity pillar of BoC's strategy, the three business verticals work closely with dedicated centralised capabilities in the Product and Banking Development, Information Technology, Sales and Channel Management, Branch Credit Operations and Development Banking and Marketing Departments. This co-ordinated approach has enabled the Bank to deliver relevant and integrated solutions, accelerating the execution of its strategy.

CUSTOMER REVIVAL AND SUPPORT

As COVID-19 led disruptions continued to insert pressure on repayment capabilities, the Bank doubled down on its efforts in delivering the Rewarding Credit Culture and Healthy Credit portfolio pillar of the Bank's strategy. Accordingly, increased support was granted to affected customers through extended moratoriums, concessions and restructuring facilities. Fresh facilities were also granted to affected businesses, thereby ensuring their survival and commercial sustainability. A dedicated Business Revival and Rehabilitation Unit was established with the aim of reviving underperforming and non-performing corporate customers through new facilities and by strengthening internal capabilities of those business entities. To date, this Unit has rehabilitated over 16 corporate customers, securing the livelihoods of around 5,000 individuals employed in these organisations.

LKR 380.6 billion
Value of moratoriums granted

97,906
No. of customers facilitated
via moratoriums

LKR 23.3 billion
Value of facilities rescheduled

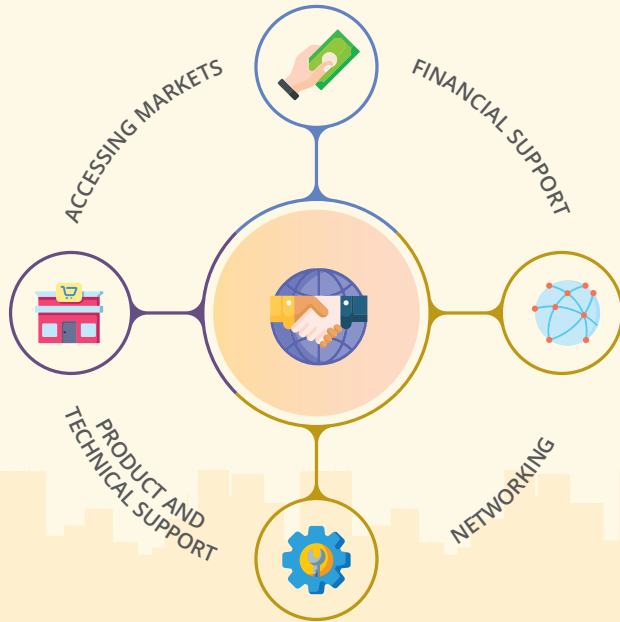
16
No. of customers rehabilitated

CUSTOMER-CENTRIC SOLUTIONS

The Bank offers a gamut of investment, lending, transactional and investment banking solutions catering to its diverse customer base. Product conceptualisation and development follows ongoing assessment of market dynamics, the competitive landscape and customer needs. During the year, the Bank sought to enhance its product proposition in selected market segments through value-addition to existing products and launching new products and channels. These included the following:

- ▶ Launched BOC CONNECT Agent Banking Solution to cater rural masses
- ▶ Launched BoC Fuel Card
- ▶ Launch of 'Ran Kekulu' minor savings product with digital features such as smart card for balance inquiries and transaction updates via SMS
- ▶ Value addition in 'Abhimana' senior citizens' proposition by providing funding for start-ups and entrepreneurial ventures.
- ▶ Launch of Smart Salary Saver Account with attractive features including investments, cash management and salary advance among others.
- ▶ Launch of Fuel Card for Corporates operating fleets of vehicles.
- ▶ Refined the 'Divi Udana' proposition by combining a range of different loan schemes to fewer, bundled propositions.

VALUE PROPOSITION OF EXPORT CIRCLE



► **Export circle** set up during the year provided a platform for effective networking opportunities and capacity building in addition to financial support for exporters, with priority being given to export led SMEs. Through this program, exporters are given the opportunity to obtain the support from organisations such as Export Development Board (EDB), National Enterprise Development Authority (NEDA) and SEDA on access to markets, insurance and banking arrangements.



80

No. of new SME level exporters supported

351

Beneficiaries of awareness programmes targeted export oriented SME customers

STAKEHOLDER OUTCOMES

CUSTOMERS

MULTI-CHANNEL STRATEGY

We continue to invest in both our physical and digital infrastructure to increase accessibility to customers, thereby fulfilling their needs reliably and conveniently. In recent years, BoC has focused on complementing its unmatched geographical reach with a widening digital footprint, thereby driving financial inclusion as well as digital literacy across all areas of the Island.

Customer touch points

581 Branches

61 Limited service branches

739 ATM

164 CDM

497 CRM



04 BoC DIGI Branches

67 Bill payment kiosks

1,489 School 'Sansada'

991 Mobile school savings unit

205 Off-site Smart Zones

DIGITISING THE CUSTOMER JOURNEY

Digital excellence is a key pillar of the Bank's medium-term strategy and will play an increasingly important role in transforming the customer experience through seamless, innovative solutions. With investments exceeding LKR 4.5 billion in the past three years, BoC now offers a comprehensive array of digital solutions catering to the diverse needs of our customers.

As a result of these initiatives, the volume and value of the Bank's digital transactions increased by 43% and 58% respectively during the year. By end 2021, digital transactions accounted for 38% of the Bank's total transactions, increasing from 23% reported in the previous year. Key developments in 2021 included;

- ▶ Digital onboarding of customers for investment products
- ▶ Enhanced features in the Smart Pay app including introduction of bill payments and widening the ecosystem of merchants
- ▶ Strengthened digital propositions in overseas branches including launch of the Smart Passbook app to the Seychelles branch and initiating the launching of mobile and internet banking solutions to the Malé branch
- ▶ Consolidated market leadership position in Internet Payment Gateway (IPG) with an average of 53,596 daily transactions. During the year, the Bank onboarded 34 new vendors to the its gateway, reaching to total IPG vendors up to 88 and entered partnerships with Government institutions in accelerating the journey towards cashless transactions
- ▶ Upgrade of the existing remittance system 'Smart Remit' enabling real time transfer of funds

CHANNEL DEVELOPMENTS IN 2021

34 Smart CONNECT Agents | Smart Online banking portal | **B App** mobile app | BOC Smart Pay



556 In-site Smart Zones | **10** Mobile services branches | **15** SME Centres

Digital adoption in 2021

CREDIT CARD TRANSACTIONS

LKR 12.4 billion (+32%)

Transaction Value

2.3 million (+20%)

Transaction Volume

SMART PAY

LKR 1.7 billion (+1,751%)

Transaction Value

4.6 million (+2,262%)

Transaction Volume

501,582 (+116%)

No. of registrations

SMART PASSBOOK

1,512,064 (+42%)

No. of registrations

USE OF ATMS/CDM/CRM

LKR 2,257.1 billion (+41%)

Transaction Value

128.1 million (+24%)

Transaction Volume

SMART ONLINE BANKING AND B APP

LKR 642.3 billion (+250%)

Transaction Value

27.2 million (+114%)

Transaction Volume

TOTAL DIGITAL TRANSACTIONS

LKR 3.0 trillion (+58%)

Transaction Value

195.1 million (+43%)

Transaction Volume



Launch of Agency Banking - BOC CONNECT



Appointment of 34 agents across the island, who are equipped with POS devices to perform a range of transactions including cash withdrawals, deposits and bill payments among others.



Continued access to banking services for customers in rural areas, where providing access to banking via conventional banking isn't possible



Branch Network



Added one new limited service branch to the network

Relocated 13 branches with added digital prepositions for enhanced customer convenience

Launch of 5S competition among all branches at provincial and national level



Increased accessibility and quality of service at branches



Smart Zones



Investments in upgrading appearance and ambience



Customer convenience through increased access to digital solutions



ATM/CDM/CRM Network



Addition of 104 new CRMs including 11 in economically vulnerable areas



Customer convenience through increased access to digital solutions



Channel



Developments in 2021



Customer value creation

STAKEHOLDER OUTCOMES

CUSTOMERS

CUSTOMER EXPERIENCE

The Bank has identified customer service and experience as the key differentiator in today's intensely competitive banking industry. Following branch visits by the Management Team and ongoing customer satisfaction surveys conducted by the Research Department, the Bank identified areas for further improvement and appointed a dedicated team to address service-related issues. Training for branch employees also focused primarily on service-related skill development and included weekly engagement with the Head Office. In nurturing a service-oriented culture, the Bank continues to provide customer services related training to front office staff.

Net promoter score

40

Customer satisfaction rate

79%

In addition to the new digital propositions listed on page 65, the following improvements in internal digital services also created customer value through increased convenience and reliability:

- ▶ Automation of applications for standing orders, instant loans and temporary overdraft facilities through the Bank's website, which allows the customer to submit their request online and obtain approvals seamlessly
- ▶ Robotic Process Automation (RPA) based debit card de-activation which eliminates the need for manual intervention. Customers can submit their deactivation request through an SMS and the card is deactivated automatically in approximately 18 seconds.

The Bank's investments in process automation in recent years have resulted in significant improvements in turnaround times, improving both the customer experience and internal efficiencies.

Customer complaints

2,159

Parallel to increased investments in the Bank's digital infrastructure, measures have also been taken to strengthen the IT Security Framework through policy revisions, regular vulnerability testing and alignment to leading IT/Cyber Security Standards and frameworks.

Time savings resulting from workflow automation

	UNIT	AFTER	BEFORE
Personal loans	Hours	3.0	24.0
Housing loans	Days	18	21.0
Debit card issuance	Minutes	5.0	10.0
FD opening	Minutes	4.5	8.0

CUSTOMER EDUCATION

The Bank conducts ongoing customer education and awareness programmes targeting SMEs, micro and women entrepreneurs, immigrants and their family members, university students and public servants among others. During the year, focus was placed primarily on the export and SME clients given their national role in the country's economic revival. Details of programmes conducted during the year are listed below:

PROGRAMME DETAILS	TARGETED CUSTOMERS	NO. OF PARTICIPANTS
Awareness programme under BoC 'Divi Udana' loan scheme	MSME	823
Export Development Board services for the SME level customers	Export-led SME customers	171
Entrepreneurship Development and Export guide to SME sector	Export-led SME customers	180
Challenges faced by SME sector in Sri Lanka and how to overcome them	SME customers	708
Services offered by Industrial Technology Institute to the SME sector in Sri Lanka	SME customers	201
Workshop for SME customers/CMA SL SME Conference	SME customers	163
Building dynamic entrepreneurs	Entrepreneurs	485
BoC 'Shashrika' loan scheme	Entrepreneurs	257
BoC 'Mithuru' entrepreneur trade exhibition and leasing pola	Micro finance customers	500
University student computer loan	University students	300
Migrant worker awareness programmes	Migrant workers	2,100

RESPONSIBLE BANKING PRACTICES

Our banking practices and customer engagement is aligned with the CBSL Customer Charter, which clearly defines customer obligations and standards. Relevant information such as interest rates, maturity periods and other terms and conditions are clearly communicated to customers in a language of their preference. During the year there were no incidences of non-compliance to regulations/voluntary codes pertaining to product and service information and labelling and marketing communications.

DATA PRIVACY AND IT SECURITY

Parallel to increased investments in the Bank's digital infrastructure, measures have also been taken to strengthen the IT Security Framework through policy revisions, regular vulnerability testing and alignment to leading IT/cyber security Standards and frameworks. Following the recommendations of the recently completed vulnerability test, BoC is currently in the process of rectifying identified weaknesses including establishing a dedicated network operating centre. Other developments during the year included,

- ▶ Commencement of the implementation of ISO 27001 to the Bank's IT department
- ▶ Enhance staff awareness through trainings and quiz programmes
- ▶ Revision of Information Security Policies including IT Risk Management Policies in all overseas locations, Cyber Security Policies of all overseas branches and Vulnerability Management Policy of the Bank
- ▶ Commenced procurement process to select a consultant to implement the COBIT IT Governance Framework

We remain acutely aware that the Bank's thrust towards online and mobile banking platforms and cloud storage increasingly exposes BoC to cyber security threats, as the Bank's operations become dependent on technology. Against this backdrop, we are committed to safeguarding the privacy

and security of our customers' confidential personal and financial information through robust IT security policies and procedures and a risk-conscious organisational culture.

Total number of data breaches identified in 2021	NIL
--	-----

% of data breaches in which personally identifiable information was subject to data breach	NIL
--	-----

Total number of account holders who were affected by data breaches	NIL
--	-----

STRENGTH OF OUR BRAND

BoC maintained its unrivalled position as Sri Lanka's No. 1 Banking brand for the 13th consecutive year, attesting to the trust and confidence placed on the Bank by its stakeholders. In recent years, BoC has strived to leverage on these inherent strengths, while rejuvenating the brand to emphasise its future-readiness and appeal to new customer segment.

BRANDING STRATEGY IN 2021

PROACTIVE MEDIA BUYING STRATEGY

During the year, the Bank's share of voice exceed the share of expenditure in 2021, attesting to the effectiveness of the strategy.

ENHANCE VISIBILITY ACROSS DIGITAL PLATFORMS

Include relaunching the Bank's Facebook and Instagram profiles

NEW BRANDING GUIDELINES

Ensuring consistency in marketing communications across all platforms

ONGOING INVESTMENTS IN CSR

Strategic community engagement initiatives in education and youth empowerment, Community Health and Wellbeing and Environment (page 75)

PLANS FOR THE YEAR AHEAD

We anticipate 2022 to remain challenging given macro-economic headwinds and the possible resurgence of infections with the possibilities of emergence of new variants. With the ending of many moratoriums in December 2021, affected businesses are likely to see repayment pressure and the Bank will continue to extend both financial and non-financial support in ensuring the survival and sustainability of these enterprises. Customer is our key stakeholder and we will continue to focus on delivering the aspirations of the Customer Centricity, Rewarding Credit Culture and Healthy Credit Portfolio and Digital Excellence pillars of our strategy. In the short-term we will continue to focus on operating under the new normal and cater to emerging customer needs, while over the mid-to-long term our priority will be retaining existing customers and growing our base by enhancing satisfaction and delivering our services via convenient and seamless banking solutions accessible anywhere at any time.

Top 1000 World Banks
The Banker Magazine, UK

Bank of the Year - Sri Lanka 2021
The Banker Magazine, UK

Most Valuable Banking Brand in the Country in 2021
Brand Finance - Top 1000
 12% increase in brand value to LKR 53.9 billion

People's Banking Service Provider of the Year 2021
SLIM-Neilsen's Peoples Awards 2021

STAKEHOLDER OUTCOMES



OUR EMPLOYEES

As the largest employer in the banking sector, we offer an inclusive work environment that fosters engaged and empowered individuals who can drive the Nation's banking sector into the future.

LISTENING TO OUR EMPLOYEES

Engagement platforms

- ▶ Multi-level staff meetings (ongoing)
- ▶ Open door culture (ongoing)
- ▶ Grievance handling mechanism (ongoing)
- ▶ Virtual engagement through tvBOC (ongoing)
- ▶ Performance appraisals (Annual)
- ▶ Engagement through trade unions (ongoing)
- ▶ Year-round activity calendar (ongoing)

What they require

- ▶ Competitive remuneration schemes
- ▶ Safe work place
- ▶ Career progression
- ▶ Opportunities for skill development
- ▶ Equal opportunities
- ▶ Job security

How we responded

- ▶ Measures to ensure physical and mental well-being
- ▶ Ongoing opportunities for training and skill development
- ▶ Attractive reward and compensation structures

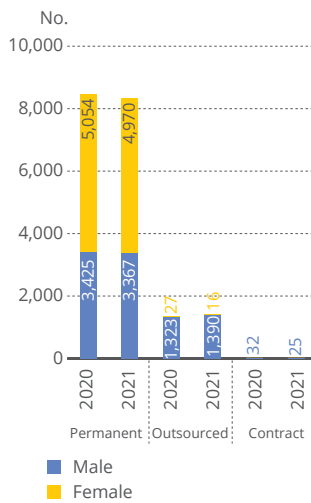
8,337

Employees

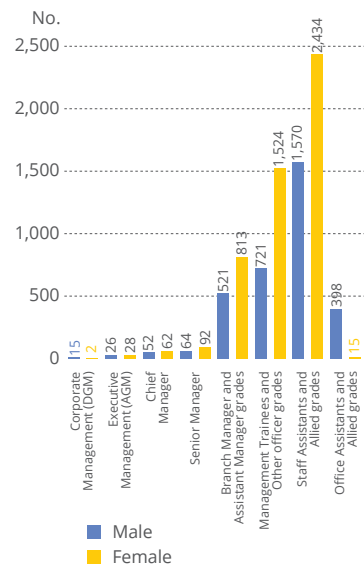
OUR TEAM

The Bank has a strong team comprise of 8,337 employees deployed across of nine provinces of Sri Lanka and also in the branches in Maldives, Seychells and India and in the Subsidiary Bank in London. They represent multi religions, ethnicities and socio-economic backgrounds bringing diversity to our culture. As one of the industry's most preferred employers, BoC has been able to attract the country's top talent, who are the driving force behind the Bank's many achievements.

Employment by Contract and gender



Employees by Category and Gender

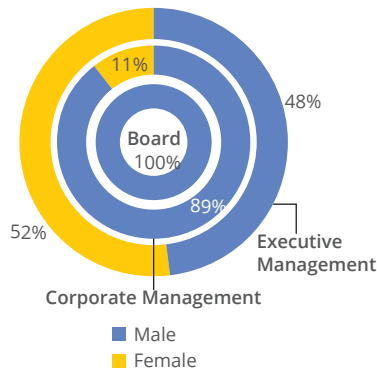


	PERMANENT	OUTSOURCED	CONTRACT
Western	3,620	351	13
Central	723	160	1
Eastern	469	131	-
Northern	521	120	1
North Central	580	127	4
North-Western	676	131	5
Sabaragamuwa	552	121	1
Southern	740	153	-
Uva	456	118	-
Total	8,337	1,412	25

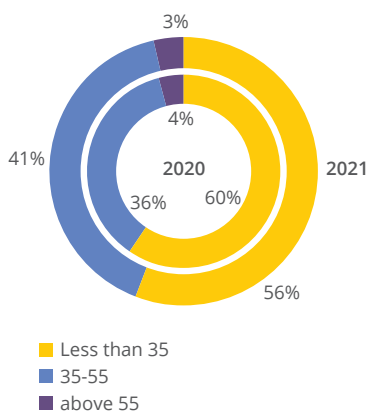
A DIVERSE TEAM

The diversity of team BoC reflects the Bank's commitment to catering to the needs of its diverse clientele. Gender diversity is represented by one of the highest female representations in the industry at 60%. The ratio of basic salary between women and men continued to remain 1:1. The Bank's HR Policy ensures equal opportunity and an anti-sexual harassment environment. The Bank also has a separate policy on Employee Grievance. These policies ensure the creation of a conducive environment in which women can thrive, as demonstrated by 42% female representation at management level and relatively high return to work from parental leave.

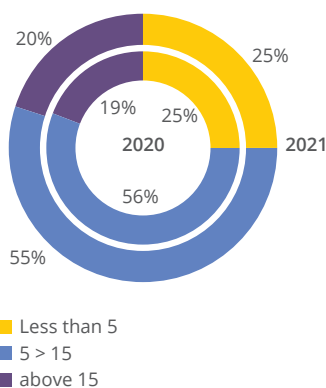
Gender Representation in Governance Bodies



Employees by Age



Employees by Tenure



100%
Senior Management hired from local communities

Gender representation

	MALE	FEMALE
Promotions	303	426
Promoting gender equality		
IT Division	71	37
Integrated Risk Management Division	10	17
Finance Division	65	66
Corporate and Offshore Banking Division	161	279
International, Treasury, Investment and Overseas Operations Division	141	80

The Bank grants 81 working days as maternity leave (parental leave) for all female employees who gives birth to a child.

Parental leave

	MALE	FEMALE
Employees		No.
Entitled to parental leave	0	4,970
Took parental leave	N/A	505
Returned to work after leave	N/A	427
Number of employees still employed after 12 months of their return to work	N/A	505
Return to work rate of employees taking parental leave	N/A	100%
Retention rate of employees taking parental leave	N/A	100%

Our team is also diverse in its age representation, with 56% of the employees below the age of 35 years. Furthermore, a quota of up to 1% for differently abled employees is also available by our recruitment policy.

VALUE PROPOSITION TO EMPLOYEES

Fair working practices

Robust and equitable policy framework

60% female representation rate

729 merit-based promotions

Opportunities for training and development

Investment in training
LKR 64.1 million

Training hours
176,418

Safe working environment

Investment in implementing health and safety measures for employees

LKR 286.9 million

Compensation and Benefits

Investment on employees
LKR 25.0 billion

High level of engagement

Turnover rate is low as 0.5%



STAKEHOLDER OUTCOMES

OUR EMPLOYEES

FAIR WORKING PRACTICES

A holistic HR strategy and robust HR policies and procedures formulated in compliance with all local labour legislations and guided by international best practices ensure fair, progressive work practices. The HR Policy Committee chaired by the General Manager, guided by the HR and Remuneration subcommittees formulates and recommends the overall HR strategy and policies for Board approval. The Board approved strategy and policies are thereafter implemented by the HR department.

Stringent policies, procedures and guidelines ensure a non-discriminatory environment that encourages diversity and ensures a level playing field for all employees. There were no instances of discrimination reported during the year.

Fair Recruitment

Recruitment is carried out as per the Board approved annual man-power plan. Vacancies are advertised through the Bank's Website and in newspapers of all three languages. Selection of employees is based on performance on a written exam and interview.

Merit Based Promotions

The Promotion and Career Advancement Policy clearly articulates the criteria to be fulfilled in order to be entitled to promotions which include completing the required number of years of service in the current position and the successful passing of a written exam. Promotees are selected based on interview and pre interview marks. Marks of the Performance Management System forms a significant portion of pre interview marks.

REWARDS AND REMUNERATION

As a caring employer we remained committed to supporting our employees through the pandemic by offering financial and other support to assist them through these challenging times. We are proud to note that we retained all our employees without any reductions or adjustments to salary or benefits during the year.

Meanwhile we continue to ensure financial security of our employees by offering a range of benefits in addition to basic remuneration. A new collective agreement was signed for the year 2021 to 2023 adding enhanced remuneration package to our employees. We also continue to pay discretionary bonus and incentive for all permanent cadre in addition to paid leave and medical reimbursements for staff. During the year we also reviewed the

Structured Performance Evaluation

Performance evaluation is carried out bi-annually for all employees based on pre determined KPIs that are communicated and agreed with employees at the beginning of the year.

Accident Benefit Policy and increased the claim entitled at a death for all permanent cadre.

BENEFITS PROVIDED TO FULL-TIME EMPLOYEES

- ▶ Discretionary bonus and incentives
- ▶ Loans at concessionary rate
- ▶ Medical assistance schemes
- ▶ Post retirement benefit plans and Widow, Widower and Orphanage Scheme
- ▶ EPF and ETF contributions by the employer
- ▶ Education assistance and professional subscription reimbursements

Non Discrimination Policies

As an equal opportunity employer the Bank has in place policies, procedures and guidelines to ensure equal opportunities for all employees.

Recruitment

Given the conditions that prevailed during the year, the Bank was compelled to postpone its scheduled recruitments. Total recruitments amounted to five during the year.

Profile of our recruitments during the year are presented below:



By gender

Male: 03 (60%)
Female: 02 (40%)



By age

Below 30: 02 (40%)
30-50 years: 03 (60%)

SAFE WORKING ENVIRONMENT

The Bank has in place a comprehensive employee health and safety guidelines which covers key areas such as medical benefits, workplace safety and health and wellness. Health and safety topics such as employee entitlements under the medical assistance scheme are also covered in collective agreements to ensure worker participation and consultation in

occupational health and safety matters. In addition to availability of an in-house doctor and pharmacy at the Head Office, all permanent employees are entitled to a comprehensive medical assistance scheme which include re-imbusement of outpatient treatment as well as hospitalisations including PCR and RAT testing and COVID-19 treatments among others.

As the pandemic began to unfold, the Bank formed a Special Safety Task Force comprising Senior Management to assess the risks and ensure the safety of all employees amidst the rising health and safety concerns. Key initiatives implemented during the year to ensure a safe work environment are depicted alongside.

COVID-19 co-ordinated interventions

- ▶ Vaccination drive for BoC employees in partnership with the Epidemiology Unit and Divisional MOH offices.

- ▶ Transport service facilities/transport cost reimbursement.

- ▶ COVID-19 awareness programmes through virtual channels and tvBOC.



- ▶ Safe working practices including roster based work arrangements, remote working arrangements and provision of PPE.

- ▶ Reimbursement of all COVID-19 related expenditure of staff and their close family members via the Bank's Medical assistance scheme.

- ▶ Interim treatment centres and hospitalisation facility arrangements for infected staff members and families.

HOLISTIC TRAINING OPPORTUNITIES

Training continues to be a core element of our employee value proposition and we dedicate significant resources towards this end. A total of LKR 64.1 million was allocated towards training activities during the year which translated to a total of 176,418 man hours of training delivered via 3,015 programmes.

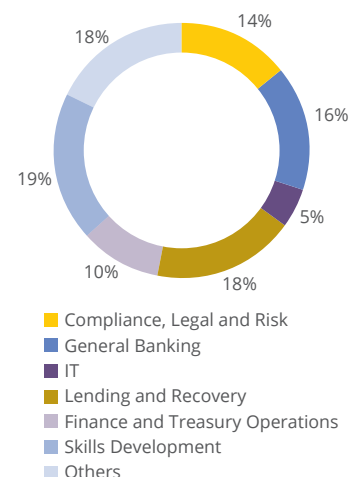
We continued with our training activities despite the disruptions caused by the pandemic by shifting to virtual platforms and leveraging in-house communications tools such as MSTeams, Zoom and the tvBOC channel. We have now gradually recommenced physical training at our dedicated training centre at Maharagama with all safety protocols in place. Training

during the year focused on the core areas of credit management, technical and customer service skills.

Key training programmes during the year included the following:

- ▶ Certificate in project finance
- ▶ AML/CFT Compliance for financial institutes
- ▶ Online programme on granting and recovering of credit facilities
- ▶ Foreign exchange regulations for financial institutes
- ▶ Best practices for banking tellers
- ▶ Online programme on internal controls and auditing for financial institutes
- ▶ Monetary policy and monetary operations
- ▶ Artificial intelligence for banking business

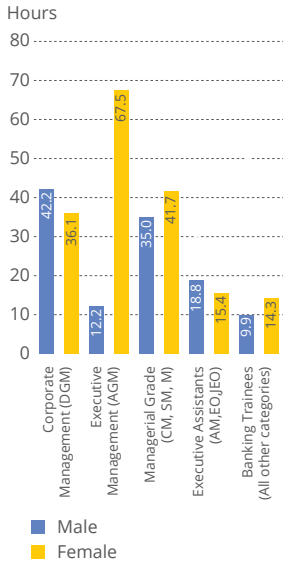
Focus Areas of Training



STAKEHOLDER OUTCOMES

OUR EMPLOYEES

Average Training Hours by Employment Category and Gender



Virtual Training



ENGAGEMENT

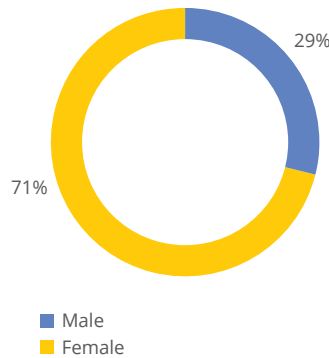
Maintaining high levels of engagement with our employees has enabled us to sustain staff motivation levels and maintain ongoing dialogue with employees amidst remote working arrangements and physical distancing. Also, tvBOC, our in-house television channel was used extensively to broadcast information to employees while digital media such as BoC e-Learning platform, MSTeams, social media and e-mail was also used to keep communication channels open. We also conducted the best branch competition virtually which garnered significant interest.

We also maintained an ongoing dialogue with trade union representatives and maintained cordial relations throughout the year, 99% of our employees belong

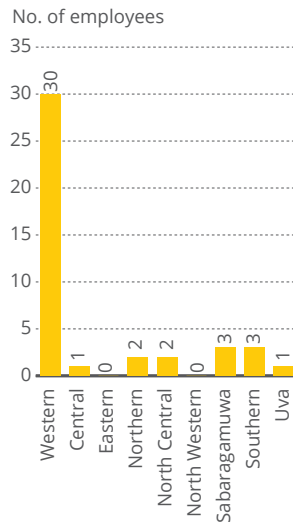
to one of six trade unions while all permanent employees of BoC are covered by collective agreements. Negotiations with trade unions are conducted through elected union representatives. The notice period and provisions for consultation and negotiation are specified in the collective agreements and a notice period of six months is provided to employees prior to implementation of significant operational changes. During the year we successfully concluded the Collective Agreement for salary and non-salary benefits for the period of 2021-2023

Analysis of exit employees

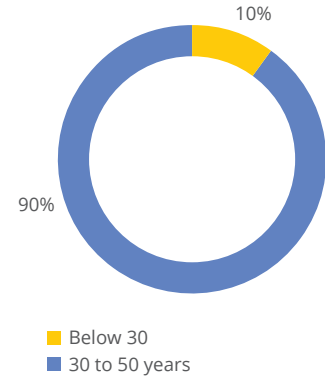
Exit Employees by Gender



Exit Employees by Region



Exit Employees by Age



PLANS FOR THE YEAR AHEAD

As the world gradually eases into the post COVID-19 new normal, we will continue to focus on building a digitally savvy, performance driven team that will provide the Bank the agility to succeed in an increasingly complex business environment. We will also continue to explore hybrid working models that will ensure the health and safety of our employees whilst offering a healthy work-life balance.

20% of the employees have more than 15 years of experience at the Bank and 56% of employees are below 35 of age. Hence, grooming and training these young employees to be the future leaders of the Bank via accurate and timely knowledge transferring is paramount. Re-skilling and equipping our people with skills on new world technologies also forms an important part of our training proposition.



SHAREHOLDER AND FUND PROVIDERS

The Bank is fully owned by the Government of Sri Lanka. Other fund providers include individuals and organisations who invest in the Bank's debt securities and lenders as well as international funding agencies which provide direct funding lines to selected industries/customer segments.

LISTENING TO OUR SHAREHOLDER AND FUND PROVIDERS

Engagement platforms

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

What they require

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

How we responded

- ▶ Ensure on adequate returns being generated
- ▶ Focus on preserving portfolio quality
- ▶ Effective margin management
- ▶ Ongoing focus on strengthening capital
- ▶ Market disclosure on timely manner

The Bank continued to deliver on its shareholder commitments despite the multitude of challenges that prevailed in the operating environment. BoC generated record profitability while maintaining its capitalisation levels and managing its risk parameters within the defined risk appetite levels.



TOTAL INCOME

18% growth in total income led by,

- ▶ 15% increase in fund-base income driven by 22% loan growth
- ▶ 19% growth in net fee and commission income
- ▶ Doubling of Other Income supported by forex income and forex revaluation gains



ASSET GROWTH

Asset growth of 28% to LKR 3.8 trillion driven by,

- ▶ 22% increase in loans and advances, supported by overdrafts, personal loans and term loans



SHAREHOLDER RETURN

- ▶ Return on equity increased to 21.0% from 11.9% in 2020
- ▶ Doubling of Earnings per share to LKR 1,503.60
- ▶ 16% increase in dividend per share to LKR 73.86

A high-level overview of the Bank's performance and stability is presented below. Please refer to the Chief Financial Officer's Review (Page 52) and Business line reviews (Page 56) for detailed information on the Bank's performance.



PROFITABILITY

Profit after tax for the year more than doubled to LKR 37.6 billion. Factors shaping profitability included,

- ▶ Effective management of margins
- ▶ Effective cost management, with cost to income ratio at 32%
- ▶ 40% increase in impairment charges



LIABILITIES

28% growth in total liabilities reflecting,

- ▶ 16% increase in deposits with CASA ratio improving to 36%
- ▶ Other borrowings doubled



CAPITALISATION

Stronger capitalisation levels with,

- ▶ 41% increase in retained earnings
- ▶ Dividend policy focusing on preserving the profit generated for internal capital generation
- ▶ The Bank's Common Equity Tier 1 capital ratio increased to 12.9%
- ▶ Total capital ratio increased to 17.8%

STAKEHOLDER OUTCOMES



COUNTRY AND COMMUNITY

As Sri Lanka's largest bank and a State-Owned Entity, BoC has, over the years played a central role in driving the country's national economic agenda and contributing towards macro-economic stability.

ENGAGEMENT WITH COUNTRY AND COMMUNITY

Engagement platforms

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

What they require

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

How we responded

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

Contribution to the economy

The importance of this role has been amplified in recent times, given the significant economic stress arising from the COVID-19 pandemic and broad-based implications on individuals, SMEs, corporates and state-owned organisations. The Bank's value creation to the Government was multi-pronged and is summarised below:

Ensuring the continuity of banking services during lockdowns

All BoC branches were open and fully functional despite COVID-19 lockdowns and operational restrictions during 2021, unless being required to close due to health concerns. Given the Bank's widespread branch reach this enabled continuity of banking services across the island. This was further supported by deployment of 10 mobile banking units and launch of the agent banking solution-BoC Connect. BoC's strategic thrust towards increasing customer digital adoption has also supported continuity of essential banking activities via digital platforms.

Supporting macro-economic stability

BoC plays an important role in supporting implementation of the Government's monetary policy towards strengthening the economic climate aimed of the country. As the market leader in remittances, the Bank facilitated critical foreign currency inflows to the country during the year. The Bank also contributes to Government revenue through tax and dividend. Also, through investments in the Government securities market.

Ensuring continuity of essential imports and Government activities

Despite the stressed foreign currency reserves in the country, BoC facilitated the import of essential goods such as petroleum, gas, vaccines for COVID-19 and other pharmaceuticals and medical equipment to Sri Lanka in 2021. The Bank during the year has financed USD 1,460.0 million for petroleum imports. Further, BoC has financed USD 138.0 million to import vaccines against COVID-19 being bought to Sri Lanka. Demonstrating its capabilities in managing foreign currency at optimum levels, BoC also continues to facilitate the foreign exchange requirements of Sri Lankan students studying overseas.

The Bank also continued to support the operations of essential Government services through bridging liquidity shortfalls in key State owned organisations while facilitating salary, pension and Samurdhi payments.

Supporting the Economic Revival

As described on pages 35 and 62, BoC has played a vital role in driving the country's economic revival through extended moratoriums and concessions to affected businesses, restructuring and rescheduling facilities and channelling funds towards reviving critical sectors including SMEs, exporters and agriculture-sector organisations. This included special engagement with customers across the country by the Bank's Management Team, launch of the new credit scheme, 'BoC Shashrika' for SMEs and new entrepreneurs, efficient disbursement of special festival advances, thereby boosting money circulation during the festive season.

Financing infrastructure projects

As a key lender to the Government, BoC continued to fund essential infrastructure projects undertaken by the Government as well as private sector. These include irrigation projects, electrification, water and transportation infrastructure which facilitate economic activity and over the long-term contribute towards improved standards of living. Lending to infrastructure projects amounted to LKR 445.1 billion as at 31 December 2021.

PLANS FOR THE YEAR AHEAD

With several short-to medium-term challenges tempering Sri Lanka's economic outlook, BoC will continue to support the national economic agenda through supporting the revival of businesses, strengthening the country's export and SME Sectors and driving economic activities through lending across the island. The Bank is also exploring means of partnering with Government institutions and other stakeholders in driving the country's national digital roadmap, which includes SMART education, transportation and communication solutions among others.

COMMUNITY ENGAGEMENT

The Bank adopts a strategic approach to Corporate Social Investment, ensuring that projects are aligned to its long-term sustainability agenda, Mission, and Corporate Values. Projects are approved through an evaluation model through which all guidance is provided to implement projects which are aligned to the SDGs, thereby driving meaningful and long-term change. Projects are monitored by the Bank's Sustainability Unit on an ongoing basis to ensure effective deployment of resources and fulfillment of project objectives.

The progress made in the Bank's community engagement projects during the year are summarised below:



Supporting primary and secondary education

As a key pillar of the Bank's CSR agenda, BoC continues to support the primary and secondary education of children through ongoing scholarship programmes and education programmes. During the year over 2,339 students benefited from our scholarship programmes. Meanwhile LKR 812.5 million was disbursed during the year as part of our interest free education loan scheme for higher education. In order to support children continue with their education during the pandemic the Bank also partnered with leading tutors to conduct education seminars on television and the Bank's YouTube channel.

"Nanajaya" scholarships Monthly endowments for A/L high performers to fund their education	252 scholarships LKR 9.9 million
"Nanajaya" and Guruthalawa Advance Level educational seminar series A/L seminars in Sinhala and Tamil on YouTube and television	95 Series
"Hapana" Grade 5 Scholarships for Ran Kakulu Account holders	2,087 scholarships LKR 31.3 million
BoC-SLBC "Ran Kakulu Smart Vidunana" series of seminars and other grade five seminar programmes in mass media to support students sitting for the Grade 5 scholarship exam	211 seminars
BoC "Ran Kakulu Smart Hapana" educational seminar series Education programs on YouTube in Sinhala and Tamil	4 seminars
Certificates issued during the year for the university students and school leavers who completed the Internship training programme	2,253 beneficiaries



Combating COVID-19

The Bank continued to support the Government in its efforts to contain the pandemic by playing a key role in financing the Government's vaccination drive. Meanwhile as part of our CSR initiatives, we partnered with the Ministry of Health, Dialog and Wavenet International (Private) Limited to establish the national 1390 COVID-19 Integrated Home-based Care Solution, a consolidated hub combining a digital platform and an outreach centre to manage the home-based care of PCR positive asymptomatic or mildly symptomatic patients.



Women empowerment

In addition to promoting gender parity in our own workplace through progressive policies and practices (refer page 70 for more information), we continue to empower women by offering tailor made products that meet their individual and business related financial requirements.

161,031 new BoC 'Kantha Ran Ginum' accounts opened during the year

LKR 86.7 billion lending granted to females during the year 2021

STAKEHOLDER OUTCOMES

COUNTRY AND COMMUNITY

COMMITMENT TO THE ENVIRONMENT

As a Bank with a widespread geographical footprint and unmatched customer reach, we are cognisant of the role we can play in contributing to reducing the national carbon footprint, by not only incorporating environmentally friendly practices to our own operations, but also promoting sustainable practices across society through our interactions with individuals and businesses.

Reducing the environmental impacts of our operations



Solar powered branches

We continue to drive towards greater energy efficiency within the Bank by reducing our dependence on fossil fuels and adopting more energy efficient processes across our locations. The branch solarisation project continued with 51 branches being solarised as at end of the year 2021. We continue to access our GHG emission based on the ISO 14064-1 standard.

Solarised branches

51

Renewable energy generated

1,757.5 Mwh

ENERGY CONSUMPTION	2021	2020	% CHANGE
Electricity (Mwh)	24,861.4	18,514	34
Fuel (Ltr)	808,735.2	420,337	92
Solar Energy (Mwh)	1,758	2,122	(17)

12

No. of branches that have obtained Green Building Certification

7%

Energy requirement fulfilled by renewable energy

We continue to drive towards greater energy efficiency within the Bank by reducing our dependence on fossil fuels and adopting more energy efficient processes across our locations.

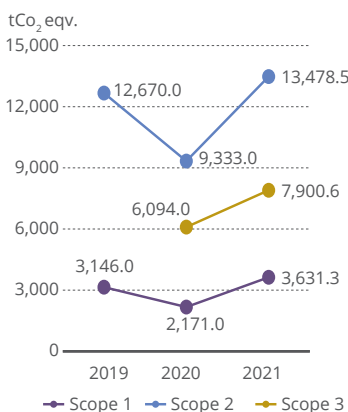
Responsible waste management

Used paper and e-waste are the main types of waste generated by the Bank's operations. We continue to create awareness on reducing wastage and responsible disposal of waste. Used paper and e-waste is recycled through registered recyclers.

Responsible lending

We ensure environmental considerations are incorporated into our lending decisions and continue to promote environmentally friendly projects through numerous green financing credit lines. Environmental and social impact management requirements of funding agencies and institutions are strictly adhered to as per a comprehensive Environmental and Social Management System Policy, which is currently applied to selected loan categories. The Bank has strengthened capabilities in this regard, setting up a dedicated unit during the year to expand this assessment across other lending categories. We also initiated a pilot project to extend ESMS based evaluation for all commercial loans. During the year 832 loan facilities were screened for environmental and social criteria.

GHG Emissions



*The Bank initiated Scope 3 GHG assessment since the year 2020



Reducing paper consumption

Process automations such as Document Management System and Workflow automation and strategic emphasis on shifting customers to digital channels, online facility applications and a sustained focus on recycling efforts demonstrate our consistent efforts to reduce paper consumption.



Green lending

The Bank continues to lend to the renewable energy sector and is a Participatory Financial Institute for several concessionary funding lines to encourage the use of renewable energy among domestic and commercial users. Total lending through these lines amounted to LKR 675.5 million during the year. Meanwhile, the Bank's outstanding loans to the renewable energy sector amounted to over LKR 1.2 billion as at end of 31 December 2021.

'Haritha Arana' programme

Carried out in partnership with the Department of Forest Conservation, the programme aims to restore 100 acres of degraded forest patch in the 'Hurulu' Conservation Forest in Habarana by planting 80,000 trees. During the year LKR 11.0 million was invested towards this project for nurturing the already planted trees. The programme is aligned to Government's "Wana Ropa" which aims to add 2,889 hectares to the national forest cover.

PLANS FOR THE YEAR AHEAD

We will continue to take long-term view on value creation, focusing on sustainable socio-economic development for all segments of society. To this end we will continue to support the Government in its development efforts while propagating environmental sustainability both within our organisation and wider communities. We will also continue to make strategic investments in CSR to address key societal issues and drive meaningful change in our communities.

ENVIRONMENTAL COMMITMENT

Our Operations

- ▶ Green branches and solar powered branches
- ▶ GHG assessment as per ISO 14064-1 Standard
- ▶ Reducing paper consumption through automation

Responsible lending

- ▶ Greening the existing portfolio by assessing environmental criteria in credit approval decisions
- ▶ Funding for green businesses

Environmental CSR

- ▶ BoC 'Haritha Arana'

Paper Waste



14.0 MT

Papers Recycled



STAKEHOLDER OUTCOMES



BUSINESS PARTNERS

BoC's supply chain comprises both local and international suppliers through whom it procures IT equipment, stationery and other materials as well as service providers who provide a variety of services required for the smooth continuity of operations.

ENGAGEMENT WITH BUSINESS PARTNERS

Engagement platforms

- ▶ Ongoing written communication
- ▶ Regular meetings
- ▶ Periodic bidding process
- ▶ Quarterly publications on Financial Statements and Annual Reports

What they require

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

How we responded

- ▶ 484 Suppliers (454 local suppliers and 30 companies registered outside Sri Lanka)
- ▶ LKR 12.2 billion payments to suppliers
- ▶ Transparent selection and competitive bidding process
- ▶ No payment defaults
- ▶ Automation of procurement process

Procurement related functions are guided by the Bank's comprehensive Procurement Policy, being developed based on the Government Procurement Policy, and is implemented by the Properties and Procurement Division.

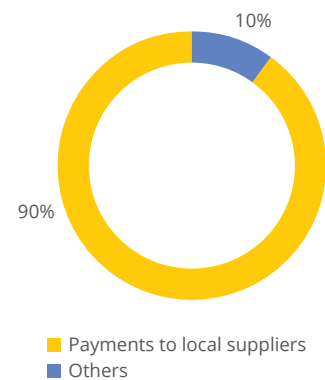
Key elements of the Bank's supplier value creation during the year are given below:

Supplier Audits

The Bank conducts supplier spot audits to ensure compliance with basic environmental and social standards; in 2021, one such audit were conducted. This includes criteria on compliance with specific ISO standards, fair labour practices, energy star practices and recycling practices among other. There were no incidents relating to child/forced

labour or incidents of loss of association of collective bargaining and rights to freedom in 2021.

Payments to suppliers



OTHER BUSINESS PARTNERS

CORRESPONDENT RELATIONSHIPS AND EXCHANGE HOUSES	Facilitates the Bank's market connectivity in overseas locations, supporting its remittance operations
MERCHANT NETWORKS IN IPG, POS	Enhances our value proposition to customers through enabling access to a wider ecosystem of merchants
AGENTS OF BOC CONNECT	Widens the reach of our service through enhancing accessibility to the customer
PAYMENT CARD PARTNERS	Enhance our value proposition to customers through enabling access to cash withdrawals and payments across large merchant network across the world

INDUSTRY PARTNERSHIPS

As Sri Lanka's leading bank, BoC plays an active role in industry associations, facilitating dialogue around building a vibrant and conducive financial system. The Bank holds membership in the following associations

- ▶ Asia Pacific Rural and Agricultural Credit Association (APRACA)
- ▶ Association of Compliance Officers of Banks, Sri Lanka
- ▶ Association of Banking sector Risk Professionals, Sri Lanka
- ▶ Bar Association of Sri Lanka
- ▶ Bio Diversity Sri Lanka
- ▶ Institute of Bankers of Sri Lanka
- ▶ International Chamber of Commerce, Sri Lanka
- ▶ Sri Lanka Banks' Association (Guarantee) Limited
- ▶ The National Chamber of Commerce, Sri Lanka
- ▶ The Ceylon Chamber of Commerce
- ▶ The Finance Ombudsman of Sri Lanka (Guarantee) Limited



REGULATORS

The Bank maintains collaborative relationship with its key regulators including the Central Bank of Sri Lanka (CBSL), Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.

ENGAGING WITH OUR REGULATORS

Engagement platforms

- ▶ Regulatory reporting (ongoing)
- ▶ One-to-one meetings (ongoing)
- ▶ Discussions through industry forums (ongoing)
- ▶ Annual report and other publications (ongoing)

What they require

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

How we responded

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

Proactive and transparent engagement with these regulators have aided in ensuring full compliance to relevant regulations and guidelines, effective management of the Bank's risk profile and collective efforts towards creating a conducive and sustainable banking industry in Sri Lanka.

Key aspects of the Bank's relationship with the regulators during the year under review are summarised below:

Compliance to new directives, regulations and guidelines issued in 2021. Key developments include (but are not limited to),

- ▶ Provision of banking services during the ongoing quarantine curfew period
- ▶ Directions on capital requirements under BASEL III
- ▶ FOREX Regulations aimed at preserving Sri Lanka's foreign exchange position
- ▶ Extension of debt moratoriums and concessions to COVID-19 affected businesses
- ▶ Priority sector lending targets to the micro and SME sector and agricultural sector
- ▶ Regulatory framework for technology risk management and resilience
- ▶ Deferment of recovery action against borrowers

Active contribution to the CBSL's aspiration of transitioning to a less-cash society

The CBSL launched "Rata Puraama LANKAQR", a national drive aimed at enhancing financial inclusion in the country through transition to a less-cash society, in partnership with LankaClear (Private) Limited and licensed financial institutions. The platform enables customers to make payments free of charge using payment apps of LANKAQR certified financial institutions. As Sri Lanka's leading bank, catering to the largest customer base, BoC has been a vital contributor to this aspiration given its customer base of over 14 million.

Alignment to the Central Bank of Sri Lanka's Roadmap for Sustainable Finance

The Roadmap for Sustainable Finance in Sri Lanka was launched in 2019 with the aim of supporting financial institutions to effectively manage emerging ESG risks, while supporting businesses that are greener, climate-friendly and socially inclusive. Over the long-term this is expected to strengthen the resilience of the financial system, while driving towards growth aspirations in a sustainable manner. BoC's Sustainability Strategy has been developed in alignment with the Sustainable Finance Roadmap and the progress achieved in each pillar of the Roadmap is summarised below.

STAKEHOLDER OUTCOMES

REGULATORS

Sustainable lending

- ▶ The Bank promotes the use of renewable energy including rooftop solar generation through funding lines as a PFI and also via the Bank's own funds
- ▶ Through 'BoC Mithuru' – a micro-financing initiative – BoC lends to entrepreneurial ventures in underprivileged communities
- ▶ The Bank operates several dedicated lending and investment products targeting women entrepreneurs
- ▶ The Bank also offers several loan schemes to promote green business practices and green transportation eg: 'BoC Shashrika' loan scheme for ongoing manuer production

ESG Integration

- ▶ Disclosure of material ESG topics through adopting the GRI Standards for Sustainability Reporting and the Integrated Reporting (IR) Framework of the IIRC
- ▶ Comprehensive ESMS Policy for credit appraisal to proactively identify and manage the environmental and social risks associated with the Bank's lending portfolio
- ▶ New ESMS Unit established under the Integrated Risk Management Division

Financial inclusion

- ▶ Accessibility through an unparalleled reach of 2,061 customer contact points across the country
- ▶ BOC CONNECT new service channel launched targeting rural segment
- ▶ Funds channelled to underserved communities through special lending products
 - LKR 16.0 billion through 39,451 loans for microfinance sector

Capacity building

- ▶ Following the roll-out of the Bank's Sustainability Policy the Bank continue to provide ESG - related training for selected employees including credit officers
- ▶ Two employees at the Sustainability Unit has obtained 'Certified Sustainability Manager' status under the ISO/IEC 17024:2012: Certification of Persons for the scope of the Sustainability Manager
- ▶ The Bank's dedicated Sustainability Unit continues to work with cross-functional teams in propagating a culture of socio and environmental awareness.

AWARDS

EXCELLENCE IN OVERALL PERFORMANCE



The Bank of the Year – Sri Lanka
 – “The Banker”

TOP 1000 WORLD BANKS 2021

Sri Lanka’s No. 1 Bank
 among the Top 1000 world Banks
 – “The Banker”

EXCELLENCE IN BRAND PERFORMANCE

Brand Finance®

Most Valuable Banking Brand for the
 13th Consecutive year
 – “Brand Finance”



People’s Banking Service Provider
 of the Year 2021
 – “SLIM- Nielsen’s Peoples Awards 2021”

EXCELLENCE IN REPORTING



Gold Award - Best presented Annual Report for the ‘State Bank’ Sector 2021
 – “57th Annual Report Awards Competition 2021- CA Sri Lanka”



Best Disclosure on Value Creation
 – “CMA Excellence in Integrated Reporting Awards 2021”
 Best Integrated Report (State Owned Enterprises)
 – “CMA Excellence in Integrated Reporting Awards 2021”
 Best 10 Integrated Reports Award
 – “CMA Excellence in Integrated Reporting Awards 2021”

EXCELLENCE IN MANAGEMENT



Top Ten Winners of the Best Management Practices Awards 2022; ‘Back to Business in the New Normal’
 – The Institute of Chartered Professional Managers of Sri Lanka

EXCELLENCE IN HUMAN RESOURCE MANAGEMENT



Best Service Provider in HR
 – Asian HR leadership Award



Best HR Organization to Work For
 – Global HR Excellence Awards 2022

CORPORATE GOVERNANCE



CHAIRMAN'S MESSAGE ON CORPORATE GOVERNANCE

The persistent challenges presented by the COVID-19 pandemic in 2021 have reinforced the importance of adaptability and agility, particularly given BoC's role in supporting the country's economic revival. Against this backdrop, the Board focused primarily on safeguarding the well-being of our employees, customers and other stakeholders while supporting the country's economic revival and maintaining the financial performance and stability of the Bank.

Board composition remained unchanged during the year, thereby offering strategic consistency and stability during these volatile times. We continued to engage deeply (strengthened the depth of engagement), with 26 main Board meetings held in 2021. This enabled the Board to keep abreast of changes in the operating environment and potential implications on the Bank's value creation. During the year, the Board also evaluated and implemented a new ESMS Policy which clearly sets out the procedures, tools and guidance for embedding social and environmental criteria to the credit assessment process. Digitalisation remains a core focus for BoC and during the year we evaluated and approved several new digital offerings and propositions. Priority was also given to ensuring strategic alignment to emerging developments and proactively monitoring potential implications on the Bank's risk profile particularly with regard to credit, operational and cybersecurity risks.

COMPLIANCE

This Report sets out our approach to governance in practice, how the Board operated in 2021 and discharged its duties during the year. It also demonstrates the status of compliance with the corporate governance regulations under the Banking Act Direction No 11 of 2007 for Licensed Commercial Banks. The Bank has also voluntarily adopted the revised Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in December 2017.

WAY FORWARD

As Sri Lanka faces numerous challenges in 2022, BoC is committed to playing a leading role in supporting the country's enterprises and driving the economic revival. As the country's leading bank, it is a role we embrace with pride and responsibility as we continue to seek ways to leverage our market position and unparalleled reach to drive socio-economic empowerment in Sri Lanka.

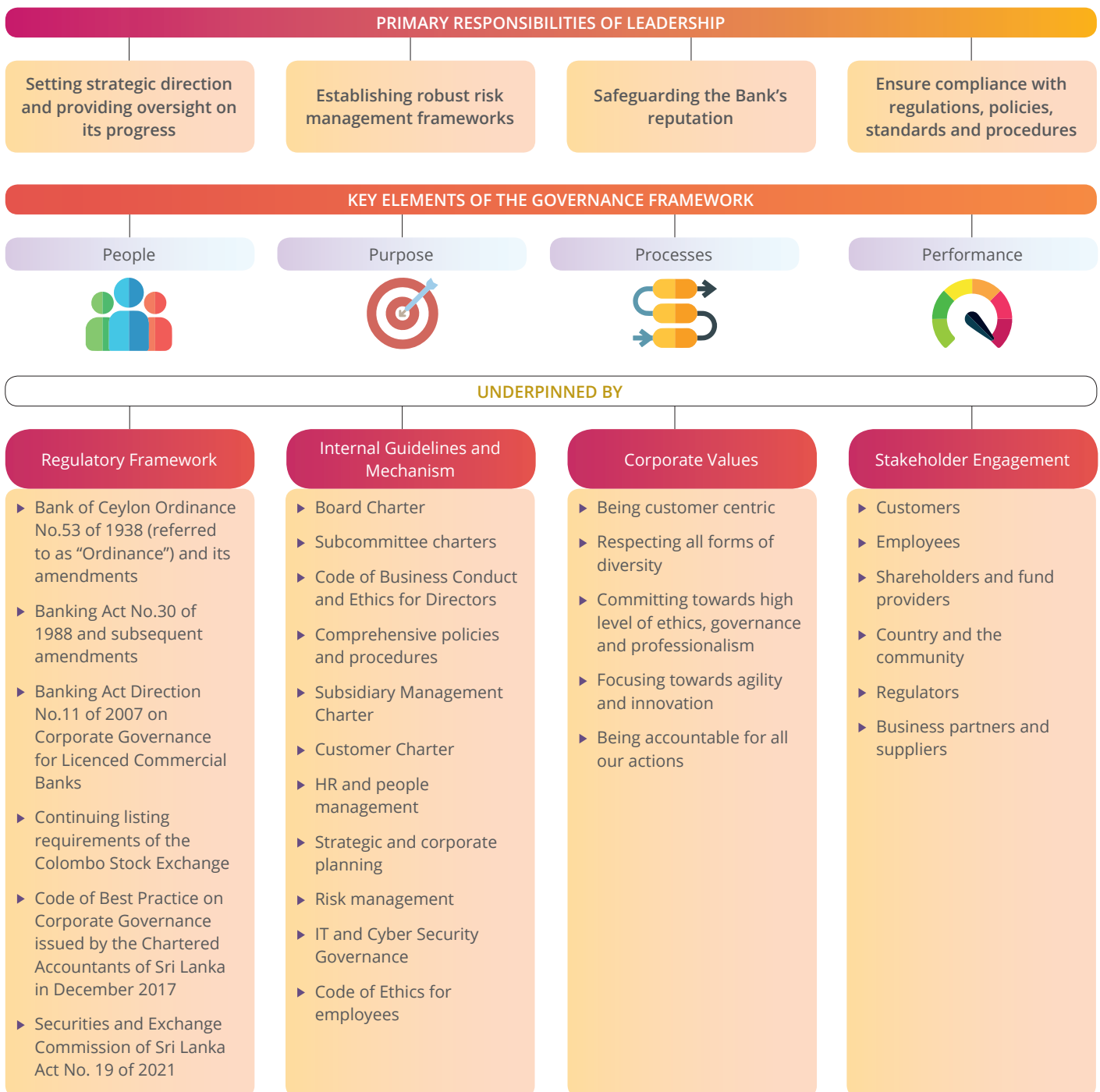
Kanchana Ratwatte
Chairman

24 February 2022
Colombo

GOVERNANCE PHILOSOPHY AND FRAMEWORK

As an integral element of Sri Lanka's financial system and the societies we operate in, we recognise our duty to act in a manner that ensures the smooth functioning of the country's banking system while balancing the needs of our diverse stakeholders. The Bank's aspirations of transforming to a digitally enabled, future-fit organisation is underpinned by our governance philosophy, supporting the understanding of risks associated with our strategy, management of resource allocation and creation of sustainable value.

While aligning with regulatory requirements and international best practice, our governance framework also seeks to address the varying needs of the Bank's stakeholders as well as balancing short-and long-term outcomes, particularly given its status as a state-owned Systemically Important Bank.



CORPORATE GOVERNANCE

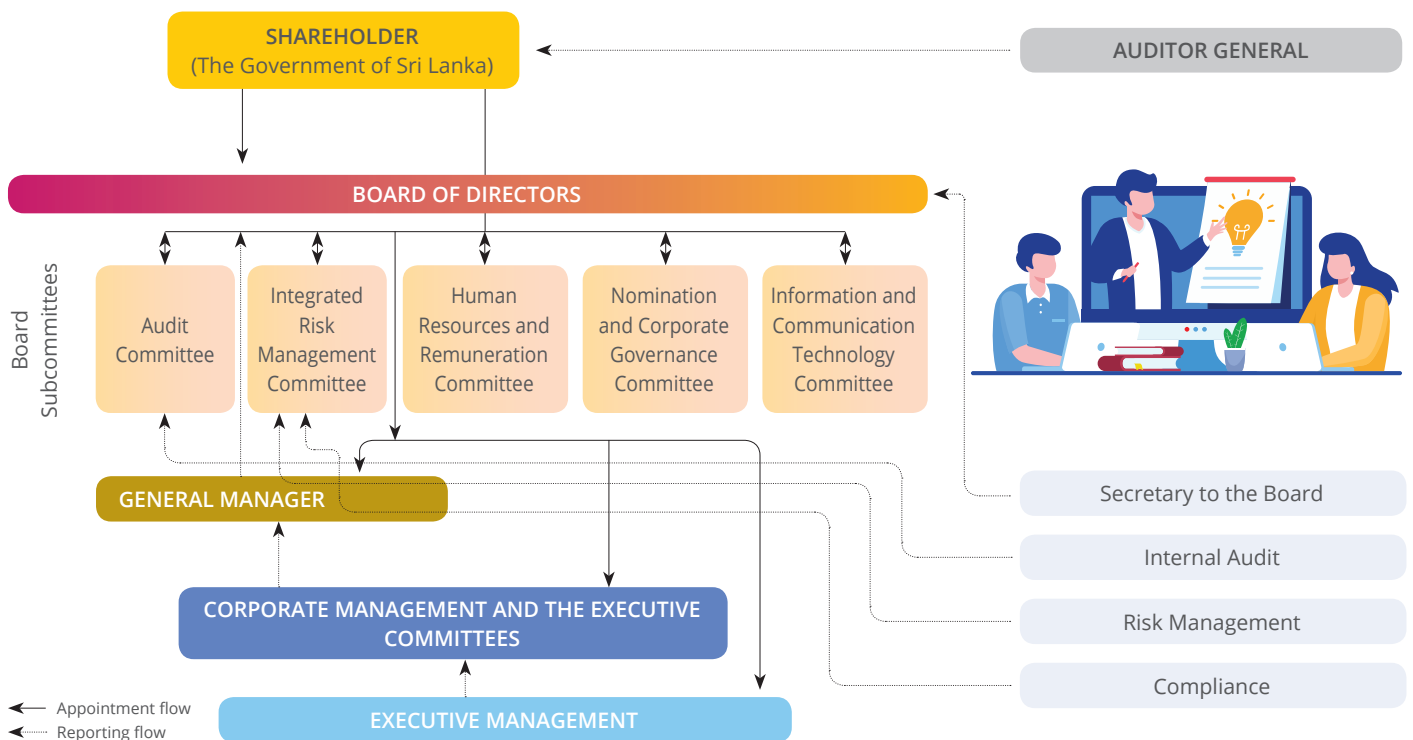
GOVERNANCE OUTCOMES AND HIGHLIGHTS IN 2021

The Bank faced unprecedented challenges in 2021, due to COVID-19 and its implications on the customers’ repayment capability as well as the country’s fiscal and macro-economic conditions. BoC was required to act swiftly and astutely in delivering solutions to its customers and other stakeholders and the strength and rigour of our governance processes were put to the ultimate test. The Board discharged its oversight responsibilities through increasing the depth of engagement, strengthening risk management practices and proactively scanning the operating environment.

<p>RESPONSE TO COVID-19</p> <p>The Board successfully transitioned to conducting its activities virtually, with Board meetings and subcommittee meetings being held digitally. The Board focused on the impact of the pandemic on stakeholders, performance and operations and ensured appropriate oversight on the Bank’s response.</p>	<p>STRATEGIC OVERSIGHT</p> <p>The annual strategy workshop was held virtually during the year and short-to-medium term strategic targets and action plans were refined in line with the market conditions. The Board reviewed performance against the Corporate Plan.</p>	<p>ENVIRONMENTAL AND SOCIAL SUSTAINABILITY</p> <p>The Bank reviewed its ESMS Policy during the year and, with this year’s review, the Bank’s environmental and social screening practices have been strengthened further, with plans in place to widen the coverage to all project financing facilities by 2022.</p>	<p>RISK MANAGEMENT</p> <p>Strengthened credit risk management through reviewing and revising the relevant policies, including identification of risk elevated industries and prudential provisioning. Risk management policies relating to the overseas branches were reviewed and revised during the year.</p>
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GOVERNANCE STRUCTURE

The Board of Directors is supported by subcommittees which has oversight responsibility on matters delegated to them including audit, nominations, remuneration, risk management and information and communication technology, among others. This allows the Board to devote time on strategic agenda items. Each committee Chairperson reports to the Board on the activities and recommendations made by their respective Committees during the Board meetings which are approved by the Board. Day-to-day management of the Bank has been delegated to the Management Team led by the General Manager. Several executive level committees have been established with specific responsibilities and clearly defined mandates (Please refer to page 88 for further details of the Board subcommittees and executive committees). The Governance Structure is illustrated below.



APPROACH TO GOVERNANCE

The following four key elements of the Bank's corporate governance framework have been used to describe the governance practices and outcomes during the year.



PEOPLE

COMPOSITION OF THE BOARD

The Board comprises six Directors who combine a balanced and diverse mix of skills, experiences and demographic profiles. Directors are all engaged in a Non-Executive capacity while five of the six are independent. The Board composition is set out in the Ordinance and Directors are appointed by the relevant Minister to whom state banks are assigned. A representative of the Ministry in charge of the subject of finance holds an Ex officio position on the Board. The Board remained unchanged during the year, thereby ensuring continuity of vision, collective thinking and approach in a challenging year.

SEPARATION OF ROLES AND RESPONSIBILITIES

Clarity in roles and effective segregation of responsibilities is ensured through the Board Charter, which clearly defines the roles and responsibilities of the Board. The role of Chairman of the Board is clearly separated from that of the executive leadership, which is led by the General Manager; the Chairman is a Non-Executive Director and provides leadership to the Board while the General Manager provides Executive leadership and does not hold a Board position. No single Director has unfettered powers in the decision-making process.

CHAIRMAN'S ROLE

- ▶ Leading the Board and ensuring its effectiveness
- ▶ Facilitating effective participation of all Board members
- ▶ Maintaining effective communication with the shareholder, the Government of Sri Lanka
- ▶ Ensuring that adequate information is available to all Directors
- ▶ Setting the ethical tone at the top

GENERAL MANAGER'S ROLE

- ▶ Execution of the strategic agenda set out in the Bank's Corporate Plan in line with the financial and non-financial targets set by the Board
- ▶ Monitoring and reporting the Bank's performance to the Board
- ▶ Ensuring the Bank operates within the approved risk appetite

QUALITY OF THE BOARD

6 Non-Executive Directors **5** Independent Non-Executive Directors

Skill Profile

Finance and Accounting
50% of Board

Banking
33% of Board

Public Sector
83% of Board

IT and Telecommunication
33% of Board

Legal
17% of Board

Age Representation



CORPORATE GOVERNANCE

INDEPENDENCE ASSESSMENT

Independence of Directors is assessed based on the directions issued by the Central Bank of Sri Lanka. Necessary declarations are obtained in this regard. Mr Kanchana Ratwatte, Mr G Harsha Wijayawardhana, Mr A C Manilka Fernando, Major General (Rtd) G A Chandrasiri and Mr Jayampthy Molligoda were deemed independent as at end 2021.

BOARD APPOINTMENT AND INDUCTION

Appointments to the Board are made by the Minister responsible for state banks. The Central Bank of Sri Lanka approves the appointments made if the required criteria for fitness and propriety are met. With the new Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021 the new appointments to the Board would be further approved by the Securities and Exchange Commission of Sri Lanka. Director resignations and removals are also referred to the same Minister while the Central Bank of Sri Lanka and the Colombo Stock Exchange are kept duly informed of any such changes to the Board.

BOARD INDUCTION

All new Directors receive a tailored induction that focuses on the Bank's governance framework, culture and values, structure, operations and strategy

Induction pack which includes an overview of the Bank, details on the governance framework (such as organisational structures, charters, etc.), regulatory frameworks and details of the corporate management team and Board support framework among others

Presentation by the General Manager detailing the Bank's history, business model, organisational structure, business verticals and support functions.

One-on-one meetings and departmental visits scheduled as necessary/on request

DIRECTOR TRAINING

Directors have the opportunity to attend training programmes which allow them to obtain the knowledge required to effectively discharge their responsibilities. Typically, this would include refreshers on applicable laws and regulations, changes to standards and codes and emerging trends in the operating landscape. Given the conditions that prevailed during the year, Directors attended only one external training programme on good Governance, although the following mechanisms ensured that the Board was kept up to date with regard to relevant developments.

- ▶ Active engagement with the management team who join Board meetings upon invitation to provide relevant input.
- ▶ Circulation of Board papers and other relevant information through an electronic board paper system.

The Policy for Directors' Access to Independent Professional Advice also provides an opportunity for external expert input at the Bank's expense.



The following section sets out detailed information on Board procedures which ensure effective leadership and control while driving accountability, transparency, and integrity.

POLICY FRAMEWORK

A comprehensive policy framework ensures consistent treatment of strategic and operational aspects and is reviewed and revised regularly to ensure relevance to changing external and internal dynamics. The framework includes policies on HR-related aspects, Risk Management, Governance and Board procedures, Digital and Investments, among others. In 2021, the Board approved the revised ESMS Policy. In addition, the Bank reviewed and revised several key policies as set out below:

Key policies introduced/revised

Risk Management

- ▶ Credit Risk Management Policy
- ▶ Country Risk Management Policy
- ▶ Stress Testing Policy
- ▶ Risk Management Policy
- ▶ ICAAP Policy (Internal Capital Adequacy Assessment Process)
- ▶ Operational Risk Management Policy
- ▶ Fraud Risk Management Policy

Managing people

- ▶ Training and Development Policy
- ▶ Scheme of Recruitment
- ▶ Human Resource Policy

Information technology

- ▶ E-Waste management Policy
- ▶ Information Security Policy

Sustainability

- ▶ ESMS Policy
- ▶ Governance Policy
- ▶ Customer Complaint Handling Policy and procedures

BOARD SUBCOMMITTEES

Responsibilities and procedures relating to the Board subcommittees are set out in the subcommittee Terms of Reference and are summarised below. Chairmen of the subcommittees are accountable for the effective functioning of the committees and submit reports to the Board on activities carried out by the Committees. During the year all subcommittee Term of References were reviewed/ revised.

<p>AUDIT COMMITTEE</p> <p>Mandate Reviews the Bank's financial reporting process including internal controls, internal and external audit (Refer page 94 for Committee Report)</p>	<p>NOMINATIONS AND CORPORATE GOVERNANCE COMMITTEE</p> <p>Mandate Responsible for Implementing procedures to select/appoint Senior Management persons, code of ethics and improve corporate governance practices (Refer page 98 for Committee Report)</p>	<p>INTEGRATED RISK MANAGEMENT COMMITTEE</p> <p>Mandate Responsibility for risk management including credit, market, operational, liquidity, cyber/IT, strategic risks, ESG risk ensuring compliance with the risk management policy framework and compliance with laws and regulations (Refer page 95 for Committee Report)</p>
<p>INFORMATION AND COMMUNICATION TECHNOLOGY COMMITTEE</p> <p>Mandate Oversight responsibility for IT products, services, policies, practices and infrastructure (Refer page 99 for Committee Report)</p>	<p>HUMAN RESOURCES AND REMUNERATION COMMITTEE</p> <p>Mandate Responsible for Remuneration Policy, setting objectives and evaluating performance of Key Management Personnel (KMP) and determining the Bank's HR policy (Refer page 97 for Committee Report)</p>	

In addition to the Board Subcommittees, several executive-level committees are in place for the day-to-day management of critical areas.

EXECUTIVE COMMITTEES

Assets and Liabilities Management Committee (ALCO)	Branches Division Credit Committee	Business Continuity Coordinating Committee	Business Continuity Implementation Committee	Business Continuity Management Alternative Committee (BCMAC)
Committee dealing with Operational Losses	Corporate Information Security Committee	Corporate Management Committee	Corporate Strategies Review Committee	Credit Committee
Damage Assessment and Restoration Committee (DARC)	HR Policy Committee	Idle Assets Committee	Internal Capital Adequacy Assessment Process Steering Committee	Investment Committee
Committee for Investment in Government Securities	IT Steering Committee	Marketing Committee	Non-performing Assets Review Committee (NPAC)	Operational Risk Management Executive Committee
Reward and Recognition Policy Committee (RRPC)	Scholarship Programme Selection Committee (Review Committee)	Scholarships Committee	Sustainability Committee	Steering Committee of TVBOC
Technical and Operational Committee	Working Committee of TVBOC			

RISK OVERSIGHT

The Board provides oversight for the Bank's risk management and internal control frameworks and is responsible for formulating a solid foundation of policy frameworks. The Integrated Risk Management Committee (IRMC) and Audit Committee support the Board in the discharge of its risk management

and internal controls responsibilities, respectively. Given the conditions that prevailed during the year, the Board placed increased emphasis on the Bank's credit risk management functions. Other functions related to risk management during the year are given alongside:

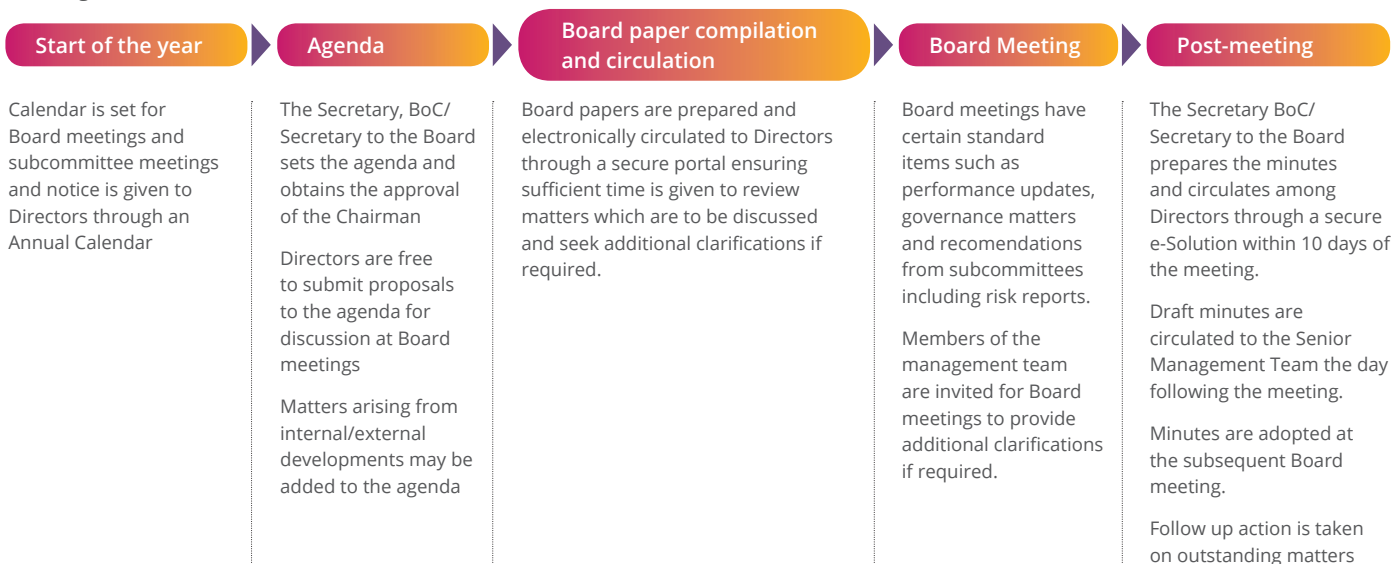
Risk related functions

1. Approval of the Bank's risk appetite
2. Regularly assess the principal risks facing the Bank
3. Review of risk appetite dashboards and performance against defined parameters at the IRMC meetings
4. Ensure that mitigating tools are in place to effectively address these risks

CORPORATE GOVERNANCE

BOARD MEETINGS

The Board continued to meet regularly despite the conditions that prevailed in 2021. Majority of the Board meetings and subcommittee meetings were held virtually, thereby ensuring the continuity of activities despite the recurrent lockdowns. The Secretary, BoC/Secretary to the Board ensures that all procedures are duly followed in setting meeting agendas, circulating information, conducting board meetings and maintaining minutes. In setting the agenda, efforts are made to ensure that the Board dedicates adequate time to critical matters such as strategic planning, risk management, compliance and governance matters. During the year, 26 Board meetings and 36 Board subcommittee meetings were held.



Attendance at Board and subcommittee meetings is set out below

	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	JOINT MEETING OF HR AND RC AND ICT COMMITTEE MEETING
	26	6	5	8	8	9	1
Mr Kanchana Ratwatte Chairman, Independent Non-Executive Director	26/26	-	-	-	-	-	-
Mr R M Priyantha Rathnayake Non-Executive Ex officio Director	26/26	6/6	5/5	8/8	8/8	-	1/1
Mr G Harsha Wijayawardhana Independent Non-Executive Director	26/26	6/6	-	8/8	8/8	9/9	1/1
Mr A C Manilka Fernando Independent Non-Executive Director	26/26	6/6	5/5	7/8	-	9/9	1/1
Major General (Rtd) G A Chandrasiri Independent Non-Executive Director	22/25	5/6	4/5	-	1/2	-	1/1
Mr Jayampathi Molligoda* Independent Non-Executive Director	21/23	-	-	7/7	6/6	8/8	1/1

*Joined the Board on 18 February 2021

COMPANY SECRETARY

The Company Secretary/Secretary BoC/Secretary to the Board plays a key role in implementing the Bank's Corporate Governance framework and ensuring that Board procedures are followed in line with applicable laws, rules and regulations. The Secretary regularly reviews the Bank's governance framework in view of emerging best practices, regulatory changes and stakeholder interests. All Directors have access to the advice and services of the Company Secretary. Ms Janaki Senanayake Siriwardane functions as the Secretary to the Board and has been appointed as prescribed by requirements of the Banking Act and relevant amendments.



PURPOSE

The Board is responsible for ensuring that the conduct of the Directors and the Management is aligned with BoC’s long-term purpose, corporate values and Code of Ethics. In discharging their responsibilities Board members are required to act with integrity, transparency and accountability, thereby setting the ethical tone at the top.

THE WAY WE WORK

OUR VISION

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

MISSION

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

VALUES

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

Relevance in 2021

Since the outbreak of the pandemic in early 2020, the Bank has played a central role in driving the country’s economic revival through supporting businesses and state enterprises, ensuring continuity of cash circulation and facilitating essential banking services across the Island. The year under review was one in which strategic focus was placed much more centered towards reviving and strengthening the customer rather than purely pursuing profits. The year was also defined by our ability to truly action our core value “agility and innovation”

Activities in 2021

- ▶ Focus on multi-stakeholder value through balancing stakeholder interests
- ▶ Revival of affected businesses through moratoria and debt relief
- ▶ Creating the right tone at the top including a culture of integrity and transparency
- ▶ Strengthening credit risk management practices
- ▶ Strengthening the Governance framework by introducing a Governance Policy
- ▶ Establishment of a “COVID-19 Task Force” in the Bank.
- ▶ Approval for the Corporate Plan for 2022-2024 and the Corporate Budget for 2022.
- ▶ Conducted CSR activities aimed at combatting COVID-19 in the country
- ▶ Review of Research and Development work of the Bank

CORPORATE GOVERNANCE

VALUE-BASED CULTURE

The Board sets the ethical tone at the top and exercises oversight of Management’s efforts to nurture a value-based culture of ethics and integrity. This approach also centres on creating a culture of treating customers responsibly and fairly and conducting business in an ethical manner. 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	<p>Directors’ Code of Ethics</p> <p>The Board is bound by the Code of Business Conduct and Ethics and are required to submit an annual confirmation on their compliance with the provisions of the code. The Code aims to propagate a strong culture of integrity, transparency and anti-corruption while encouraging Directors to act in the best interests of the Bank.</p>	<p>Employee Code of Ethics</p> <p>Applicable to all employees, this clearly sets out the Bank’s expectations in dealing with internal and external stakeholders, behaviour, bribery and corruption.</p>
Whistleblowing Policy	<p>A Board-approved Whistleblowing Policy encourages employees or non-employees to report complaints pertaining to suspected theft/fraud, corruption, misuse of the Bank’s assets or any other actions that are considered unethical or illegal. Complaints are directed and overseen by the Chief Internal Auditor while complaints made against employees of the DGM grade or above are submitted to the Chairman of the Audit Committee.</p>	
Anti-corruption	<p>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.</p>	

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 behavior, market manipulation, malpractice, or other related financial industry laws or regulations.

RESPONSIBLE CORPORATE CITIZENSHIP

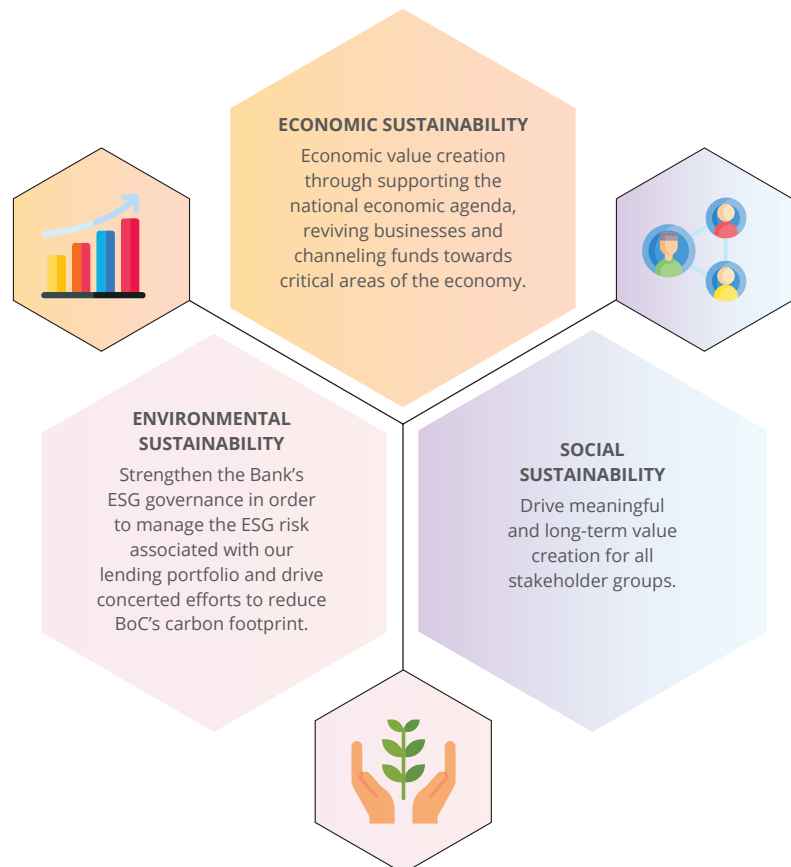
The Board monitors how BoC’s activities affect its status as a responsible corporate citizen, which in turn has implications on the Bank’s legitimacy and social license to operate. The Bank’s approach to sustainability is centred on the tenet that “Sustainability is a Lifestyle” and focuses on the three main dimensions of economic, environmental, and social sustainability. 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.

Highlights of the Bank’s ESMS Policy which was revised during the year is set out below:

ESMS Procedure

Provides guidance on

- (1) Screening for social and environmental criteria
- (2) Risk categorisation as low, medium and high risk
- (3) Conduct due diligence to assess environmental and social risks



CORPORATE REPORTING

The Board holds apex responsibility for ensuring the accuracy and integrity of all external reports, which are approved by the Board prior to publication. These include,

- ▶ **Annual Integrated Report** which is the primary publication to shareholders and provides a holistic and balanced overview of how the Bank creates value to its stakeholders.
- ▶ **Annual Financial Statements** which include the Group's full audited annual financial statements and notes

STAKEHOLDER RELATIONS

The Bank's Communication Policy provides guidance on maintaining effective and relevant communication with internal and external stakeholders, nurturing open and sustainable relationships. The Policy is reviewed by the Nomination and Corporate Governance Committee. The value propositions offered to each key stakeholder group is set out alongside, while platforms through which the Bank maintains communication with its stakeholders is provided on page 68 to 81 of this Report.



CUSTOMERS

Relevant products delivered through convenient channels, underpinned by trust and stability



EMPLOYEES

Opportunities for career and skill development in a rewarding and conducive work environment



SHAREHOLDERS AND FUND PROVIDERS

Generation of sustainable returns commensurate with risks undertaken



COUNTRY AND COMMUNITY

Contribute to national socio-economic development and financial inclusions



SUPPLY CHAIN PARTNERS

Create opportunities for mutual growth



REGULATORS

Ensure full compliance to relevant regulatory and statutory requirements



PERFORMANCE

BOARD CONTRIBUTION TO VALUE CREATION

The Board and subcommittees continued to stress on the ongoing implications of the pandemic and several of the key decisions guided by the Board are highlighted below:

Response to COVID-19

EMPLOYEE FOCUS

- ▶ Comprehensive safety measures across the organisation to ensure the well-being of our team
- ▶ Work from Home facilities and relaxed work norms
- ▶ Continuous engagement via virtual modes

(Refer page 68 for further information)

CUSTOMER FOCUS

- ▶ Supporting business revival through moratoria, debt relief and rescheduling/restructuring facilities
- ▶ Organisation-wide efforts to improve customer service
- ▶ Driving increased digital adoption

(Refer page 62 for further information)

RISK MANAGEMENT

- ▶ Strengthened portfolio monitoring and improved credit management skills through ongoing training
- ▶ Enhanced operational risk management at provincial level
- ▶ Enhanced liquidity buffer through a timely and proactive funding strategy

(Refer page 100 for further information)

SHAREHOLDER FOCUS

Ongoing review of the Bank's financial performance including earnings projects, NPA ratios, capital and liquidity.

(Refer page 73 for further information)

COUNTRY AND COMMUNITY FOCUS





Supporting the national economy by channelling funds to

1 - SME sector	3 - Medical equipment and vaccinations
2 - Essential services	4 - State-owned organisations

(Refer page 74 for further information)

CORPORATE GOVERNANCE

Other key matters considered by the Board during the year and their link to the Bank's strategic priorities are listed below:

FOCUS AREA	DELIBERATIONS AND DECISIONS	LINK TO STRATEGY
Oversight on Strategy	<ul style="list-style-type: none"> ▶ Oversight on relevance of strategy given emerging market conditions ▶ Mid year review of the Corporate Plan 2021-2023 	STRATEGIC IMPLEMENTATION THROUGH CORPORATE PLAN
Monitoring Performance	<ul style="list-style-type: none"> ▶ Proactive monitoring of performance through monthly financial statements, reports on performance and stability, performance against strategic objectives ▶ Recommendations and highlights from subcommittee meetings. ▶ Oversight on subsidiary performance, in line with the Bank's Subsidiary Management Charter which entails reviews of the subsidiary risk dashboards on a periodic basis and ensuring that the risk profiles are maintained within the defined parameters ▶ Monitoring the Business Continuity Plan Drill ▶ Monitoring of overseas branches performance ▶ Ongoing evaluation of the local and foreign currency liquidity position 	 STABILITY, GOVERNANCE AND SUSTAINABLE GROWTH
People management	<ul style="list-style-type: none"> ▶ Selection and appointment of new General Manager ▶ Updating the succession plan for Key Management Personnel ▶ Executed the Collective Agreement for salary and non-salary benefits for the period January 2021 to December 2023. ▶ Revised the exit interview questionnaire to obtain a more focused feedback 	 BUILDING A HIGH-PERFORMING TEAM
Digitisation	<ul style="list-style-type: none"> ▶ Enhance route-to-market through launching agent banking ▶ Rolling out digital offerings to customers ▶ Feasibility of significant digital investments ▶ Automation and business process re-engineering ▶ Introduction of digital signatures 	 CUSTOMER CENTRICITY  DIGITAL EXCELLENCE

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.

REMUNERATION REVIEW

Approach to Remuneration

The Bank's remuneration policy aims to ensure that our team has the resources to drive our strategic aspirations and are duly recognised and rewarded for their contribution to the Bank's value creation. The policy therefore reflects the Bank's commitment in offering a reward package that is competitive and equitable, thereby promoting sustainable performance on a long-term basis.

Remuneration principles

- ▶ Competitive
- ▶ Equitable
- ▶ Transparent
- ▶ Inclusive

Remuneration Structures

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 General Manager (GM) and KMP is based on the Board-approved Remuneration Policy for Key Management Personnel. 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 are given below;

FIXED REMUNERATION

- ▶ Base salary and other fixed components, determined on role and employee grade

VARIABLE REMUNERATION

- ▶ Incentive bonus

OTHER NON-CASH BENEFITS

- ▶ Post-employment benefits
- ▶ Loans under special schemes
- ▶ Credit cards

Please refer to page 165 for details on Directors remuneration, page 337 for KMP remuneration and page 96 for the Report of the Board HR and RC.

Appraisal of the General Manager and KMP

The Board evaluates the performance of the GM and KMP annually, based on the financial and non-financial targets outlined in the Corporate Plan. The Human Resources and Remuneration subcommittee supports the Board in this endeavor. 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.

BOARD SUBCOMMITTEE REPORTS

AUDIT COMMITTEE REPORT

COMMITTEE COMPOSITION DURING 2021

The following Directors were members of the Audit Committee during the year 2021:

- (1) Mr A C Manilka Fernando
Chairman/Independent Non-Executive Director
- (2) Mr G Harsha Wijayawardhana
Member/Independent Non-Executive Director
- (3) Mr R M Priyantha Rathnayake
Member/Non-Executive Ex officio Director
- (4) Major General (Rtd) G A Chandrasiri
Member/Independent Non-Executive Director

SECRETARY TO THE COMMITTEE

The Secretary, Bank of Ceylon/Secretary to the Board who is an Attorney-at-Law and a Deputy General Manager, functions as the Secretary to the Committee.

REGULAR PARTICIPANTS

- ▶ Chief Internal Auditor
- ▶ Chief Risk Officer
- ▶ Deputy General Manager (Compliance)
- ▶ Assistant General Manager (Province/Branch and Credit Audit)
- ▶ Assistant General Manager (Investigations)
- ▶ Assistant General Manager (Information Systems Audit)
- ▶ Assistant General Manager (Risk Management)
- ▶ Internal Auditor
- ▶ Representatives of the Auditor General (the External Auditor of the Bank)

ATTEND UPON INVITATION

- ▶ General Manager
- ▶ Additional General Manager/Chief Financial Officer
- ▶ Deputy General Manager (Finance and Planning)
- ▶ Any other member of Corporate or Executive Management/Any other Staff Member

Meetings held in 2021: 06
 (Attendance given on page 88 of this Report)

Quorum: Two members or majority of the members whichever is higher.

ROLE OF COMMITTEE

Audit Committee Charter

The Terms of Reference of the Audit Committee are governed by the Audit Committee Charter, approved and adopted by the Board.

The Committee also ensures that the scope and coverage of its functions address 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 2021 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.

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 the 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 2021.
- ▶ 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 on Internal Audit Charter and Audit Committee Charter.
- ▶ Explored alternative audit procedures during the pandemic period.

External Audit

- ▶ The external audit of the Bank is carried out by the Auditor General in terms of the Constitution of the country. The Committee ensured that the external audit is carried out effectively and independently and maintained a continuous rapport with the representatives of the Auditor General in relation to the audit approach and procedure.
- ▶ Facilitated close door meetings with the representative of the Auditor General.

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 2022 and beyond.

On behalf of the Audit Committee



A C Manilka Fernando
 Chairman,
 Audit Committee

24 February 2022

BOARD SUBCOMMITTEE REPORTS

INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

COMMITTEE COMPOSITION DURING 2021

The composition of the committee during the year 2021 was as follows:

- (1) Mr R M Priyantha Rathnayake
Chairman/Non-Executive Ex officio Director
- (2) Mr G Harsha Wijayawardhana
Member/Independent Non-Executive Director
- (3) Major General (Rtd) G A Chandrasiri
Member/Independent Non-Executive Director- From 21.01.2021 to 03.03.2021
- (4) Mr Jayampathy Molligoda
Member/Independent Non-Executive Director- From 04.03.2021 till 31.01.2022

SECRETARY TO THE COMMITTEE

The Secretary, Bank of Ceylon/Secretary to the Board who is an Attorney-at-Law and a Deputy General Manager, functions as the Secretary to the Committee.

REGULAR PARTICIPANTS

- ▶ General Manager
- ▶ Chief Risk Officer
- ▶ Deputy General Manager (Compliance)

ATTEND UPON INVITATION

Any other members of the Board/Corporate Management/Any other Staff Member

Meetings held in 2021: 08
(Attendance given on page 88 of this Report)

Quorum: Two members

ROLE OF COMMITTEE

Integrated Risk Management Committee Charter

The Terms of Reference (TOR) of the Integrated Risk Management Committee are governed by the Committee Charter, approved and adopted by the Board.

The Committee also ensures that the scope and coverage of its functions addresses the requirements of the Banking Act Direction No. 11 of 2007 on "Corporate Governance for Licensed Commercial Banks in Sri Lanka" and its subsequent amendments issued by the Central Bank of Sri Lanka.

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 2021

- ▶ Reviewed and recommended the following policies/manuals/plans based on which the risk profile of the Bank is assessed:
 - Loan Review Mechanism Policy (LRM)
 - Vulnerability Management Policy
 - Business Continuity Management Policy and the Business Continuity Plan of the Bank
 - Integrated Risk Management Policy
 - Credit Risk Rating Policy
 - Credit Risk Management Policy
 - Market Risk Management Policy
 - Foreign Exchange Risk Management Policy
 - Credit Portfolio Risk Management Policy
 - Liquidity Risk Management Policy
 - Stress Testing Policy
 - ICAAP Policy
 - Operational Risk Management Policy
 - IT Risk Management Policy
 - Integrated Environment and Social Risk Management Policy
 - Information Security Policy
 - Cyber Security Policy for Maldives and Chennai
 - Compliance Policy
 - AML/CFT Policy (Anti Money Laundering/ Combating the Financing of Terrorism)
 - Annual Compliance Plan

- ▶ Following committee charters and TORs were reviewed;
 - Integrated Risk Management Committee Charter
 - ICAAP and Recovery Capital Plan (RCP) Steering Committee
 - Operational Risk Management Executive Committee
 - Corporate Information Security Committee
 - Adopted the Risk Management Framework and its Governance structure
 - ▶ The Independent Integrated Risk Management Division of the Bank assessed the risks of the Bank on a monthly basis and summary reports were submitted before the Committee. The Committee reviewed them and submitted its recommendation to the Board immediately through minutes of the meeting and specific recommendations
 - ▶ Monitored quantitative and qualitative risks which have gone beyond the limits and made necessary recommendations.
 - ▶ Improved the Risk Management Dashboard to support the subsidiaries to manage the risk functions better
 - ▶ Evaluated and monitored subsidiary Risk Management Dash Boards and made the necessary recommendations to overcome various risks faced by the subsidiaries.
 - ▶ Monitored Key Risk Indicators in the Branch network, critical businesses and support divisions.
 - ▶ Monitored the Risk Aggregation report of the Bank on a quarterly basis.
 - ▶ Risk Appetite and Limit Setting for 2021 was established.
 - ▶ Recommended the adoption of the Internal Capital Adequacy Assessment Process (ICAAP) for the year 2021.
 - ▶ Adopted the necessary initial steps to develop the Recovery Plan as per the CBSL Directions.
 - ▶ Reviewed stress testing results on a quarterly basis.
 - ▶ Reviewed and recommended the Limit Management Framework for year 2021
 - ▶ Carried out risk assessment on regular basis on foreign currency and Rupee liquidity position of the Bank.
 - ▶ Carried out the performance evaluations of the Chief Risk Officer and Compliance Officer.
 - ▶ Ensured that the Bank embarks on setting up the ESMS unit under the guidance of CRO and finalised the ESMS Policy.
 - ▶ Spearheaded the implementation of the ISO 27001 certification project.
 - ▶ Completed the vulnerability assessment and penetration testing for the year 2021 and reviewed the rectification programme on a regular basis.
 - ▶ Initiated the process for adopting Control Objectives for Information and Related Technology (COBIT) governance framework within the Bank.
 - ▶ Reviewed the comprehensive Compliance Reports submitted by the Compliance Officer.
 - ▶ Reviewed the decisions of the Committee dealing with Forged Cheques and Frauds on a quarterly basis.
 - ▶ Reviewed the decisions of the Committee dealing with operational losses on a quarterly basis.
 - ▶ Reviewed the Compliance Risk Assessment format facilitating off-site risk assessment.
- The Committee wishes to record an appreciation for Mr Jayampathy Molligoda, who was a member of this Committee during the year under consideration, who has since resigned from the Board of Bank of Ceylon, for the valuable contribution made by him to this Committee.

CONCLUSION

Acting collectively, the members of the Integrated Risk Management Committee have evaluated its performance during the year for effectiveness and efficiency.

The Committee is cognisant of the fact that it needs to be vigilant and attuned to its risk combat strategy with the advancement of technology, increased vulnerability with macroeconomic shocks and volatility and industrywide frauds and cyber-crimes beginning to pose greater threats.

Increasing awareness among staff over the need for managing risks, ensuring compliance and training staff are important components of this approach. The Committee is of the view that the Bank is on the right path towards meeting the challenges of risk management and compliance whilst safeguarding the interests of Bank's stakeholders.

On behalf of the Integrated Risk Management Committee



R M Priyantha Rathnayake
 Chairman,
 Integrated Risk Management Committee

24 February 2022

BOARD SUBCOMMITTEE REPORTS

HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

COMMITTEE COMPOSITION DURING 2021

The following Directors were members of the Committee during the year 2021:

- (1) Mr A C Manilka Fernando
Chairman/Independent Non-Executive Director
- (1) Mr R M Priyantha Rathnayake
Member/Non-Executive Ex officio Director
- (2) Major General (Rtd) G A Chandrasiri
Member/Independent Non-Executive Director

SECRETARY TO THE COMMITTEE

The Secretary, Bank of Ceylon/Secretary to the Board who is an Attorney-at-Law and a Deputy General Manager, functions as the Secretary to the Committee.

ATTEND UPON INVITATION

- ▶ General Manager
- ▶ Deputy General Manager (Human Resources)
- ▶ Any other member of Corporate or Executive Management

Meetings held in 2021: 05
Joint Human Resource and Remuneration and Information and Technology Committee meeting: 01

(Attendance given on page 88 of this Report)

Quorum: Two members

ROLE OF COMMITTEE

Terms of Reference of the Committee

The main responsibilities of the Committee, which are mainly based on the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka issued by the Central Bank of Sri Lanka and incorporated into the Committee Charter, are as follows:

- ▶ Determining the Remuneration Policy (salaries, allowances and other financial payments) relating to Key Management Personnel (KMP) of the Bank.
- ▶ Setting goals and targets for the General Manager (GM) and KMP.
- ▶ Evaluating the performance of the GM and KMP against the set targets and goals periodically and determining the basis for

revising remuneration, benefits and other payments of performance based incentives.

- ▶ Reviewing staff in matters referred to it by the Board.
- ▶ Determining the Human Resource Policy and Organisation Structure of the Bank.

According to the aforesaid Banking Act Direction No. 11 of 2007, this Committee has to determine the Remuneration Policy relating to the Chairman and Directors. However, in the case of Bank of Ceylon, the remuneration of Directors is determined in accordance with the circulars and instructions issued by the Government of Sri Lanka, the sole shareholder of the Bank. The provisions in the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments, are also taken into consideration in this regard. The Bank has a Remuneration Policy in place, prepared based on the above, which is reviewed as and when new regulations are issued by the Government. The details of the remuneration given to Directors, are disclosed in the Annual Report on a yearly basis.

Principal focus

- ▶ This Committee focuses on assisting the Board in the Human Resource matters primarily on the evaluation of the KMP.

Medium of Reporting

- ▶ The proceedings of the Committee meetings are tabled and ratified at Board meetings and approval of the Board is thus obtained for implementation of the recommendations made by the Committee.

Areas of focus and activities in 2021

- ▶ The Committee evaluated the performance appraisals made of the Key Management Personnel (KMP) (other than the Deputy General Manager (Compliance), Chief Risk Officer and Chief Internal Auditor whose evaluations were placed before the respective subcommittees) for the year ended 2020 based on the targets set at the commencement of the year in line with the Corporate Plan.
- ▶ The Committee reviewed and recommended the Key Performance Indicators (KPI) of the members of the Corporate Management and the General Manager for the year 2021.
- ▶ Followed up on the action plan to develop the employees with required skills, knowledge and attitudes.

- ▶ A committee was appointed to review the organisation structure of the Bank to make it future ready.
- ▶ Recommended adoption of the following Policies/Charter –
 - Reviewed Human Resource and Remuneration Committee Charter.
 - Revised Disciplinary Code of the Bank.
 - Revised Code of Ethics of the Bank.
 - Revised policy on awarding marks for commendations and deduction of marks for adverse comments/punishments for promotion to the grade of Deputy General Manager and Assistant General Manager.
 - Revised policy on Maternity Leave taken by Trainee/Probationer during the Training/Probationary period.
 - 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.

Accordingly, the Committee recommended revision of salaries and special allowances of Assistant General Managers and members of the Corporate Management (other than the contracted employees who are parallel to the grade of Deputy General Manager which are fixed at the time of recruitment) for the period from 01.01.2021 to 31.12.2023.

WAY FORWARD

The Committee will continue to encourage the use of best practices in Human Resource in the Bank.

CONCLUSION

The members of the Committee collectively evaluated the performance of the Committee.

On behalf of the Human Resources and Remuneration Committee



A C Manilka Fernando
Chairman,
Human Resources and Remuneration
Committee

24 February 2022

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE REPORT

COMMITTEE COMPOSITION DURING 2021

The following Directors were members of the Committee during the year 2021:

Until 03 March 2021

- (1) Mr A C Manilka Fernando
Chairman/Independent Non-Executive Director
- (2) Mr R M Priyantha Rathnayake
Member/Non-Executive Ex officio Director
- (3) Mr G Harsha Wijayawardhana
Member/Independent Non-Executive Director

From 04 March 2021

- (1) Mr Jayampathy Molligoda
Chairman/Independent Non-Executive Director (Submitted resignation to be effective from 01.02.2022)
- (2) Mr A C Manilka Fernando
Member/Independent Non-Executive Director
- (3) Mr R M Priyantha Rathnayake
Member/Non-Executive Ex officio Director
- (4) Mr G Harsha Wijayawardhana
Member/Independent Non-Executive Director

SECRETARY TO THE COMMITTEE

The Secretary, Bank of Ceylon/Secretary to the Board who is an Attorney-at-Law and a Deputy General Manager, functions as the Secretary to the Committee.

ATTEND UPON INVITATION

- ▶ General Manager
- ▶ Any other member of the management as decided by the Committee

Meetings held in 2021: 08

(Attendance given on page 88 of this Report)

Quorum: Two members

ROLE OF COMMITTEE

Nomination and Corporate Governance Committee Charter

The Terms of Reference of the Nomination and Corporate Governance Committee are governed by the Committee Charter, approved and adopted by the Board.

The Committee also ensures that the scope and coverage of its functions addresses the requirements of the Banking Act Direction No. 11 of 2007 on "Corporate Governance for Licenced Commercial Banks in Sri Lanka" and its subsequent amendments issued by the Central Bank of Sri Lanka and that of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

Principal Focus

The Nomination and Corporate Governance Committee assists the Board in ensuring compliance with Corporate Governance principles as required by regulations or otherwise in addition to assisting the Board with regard to the appointment of the Chief Executive Officer/General Manager and the Key Management Personnel (KMP).

Medium of Reporting

The proceedings of the Nomination and Corporate Governance Committee meetings are tabled and ratified at the Board meetings and Board approval obtained thereof.

AREAS OF FOCUS AND ACTIVITIES IN 2021

- ▶ As provided in the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments the Bank being fully State owned, the Minister under whose purview the Bank falls appoints Directors to the Board of Bank of Ceylon. This Committee accordingly has no direct role in connection with the appointment of Directors. However, an internal Policy on appointment of Directors to the Board is in place in the Bank based on a recommendation of this Committee specifying the criteria required for appointment as a Director of the Bank, which is shared with the appointing authority to assist in identifying the skill set needed for a Director of the Bank.
- ▶ A Policy on Appointment of Directors to the subsidiaries of Bank of Ceylon is also in place on a recommendation made by this Committee.
- ▶ A Corporate Governance Policy was introduced and recommended while reviewing the following policies, incorporated therein:
 - The Communication Policy of the Bank.
 - The Policy on Directors' Access to Independent Professional Advice.
 - The Charter of the Nomination and Corporate Governance Committee.

- ▶ Ensured that the KMP are fit and proper persons to hold their offices when officers were promoted or appointed as KMP.
- ▶ Followed up on the succession planning process for the grades below KMP using artificial intelligence (AI Tools).
- ▶ Reviewed the Succession Plan for Corporate Management and Executive Management (KMP).
- ▶ Assessed the training needs with a view to leadership development of KMP.
- ▶ Reviewed and recommended the introduction of new designations for KMP and the movement of the KMP as recommended by the Management.
- ▶ Ensured the compliance with the applicable Corporate Governance regulations.
- ▶ Recommended the Board Evaluation Report for the year 2021.

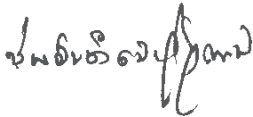
WAY FORWARD

The Committee will strive to promote best practices in Corporate Governance in the Bank, focusing in particular on the implementation of the Directions issued by the Regulators.

CONCLUSION

The Committee reviewed the efficiency of its work through the annual evaluation that was carried out collectively. The Committee will continue to add value to the Board's responsibilities through the functions of this Committee.

On behalf of the Nomination and Corporate Governance Committee



Jayampathy Molligoda
Chairman,
Nomination and Corporate Governance Committee

31 January 2022

BOARD SUBCOMMITTEE REPORTS

INFORMATION AND COMMUNICATION TECHNOLOGY COMMITTEE REPORT

COMMITTEE COMPOSITION DURING 2021

The following Directors were members of the Committee during the year 2021:

- (1) Mr G Harsha Wijayawardhana
Chairman/Independent Non-Executive Director
- (2) Mr A C Manilka Fernando
Member/Independent Non-Executive Director
- (3) Mr Jayampathy Molligoda¹
Member/Independent Non-Executive Director

SECRETARY TO THE COMMITTEE

The Secretary, Bank of Ceylon/Secretary to the Board who is an Attorney-at-Law and a Deputy General Manager, functions as the Secretary to the Committee.

REGULAR PARTICIPANTS

- ▶ General Manager
- ▶ Chief Information Officer/Head of IT
- ▶ Deputy General Manager (Product and Banking Development)
- ▶ Chief Risk Officer

ATTEND UPON INVITATION

- ▶ Assistant General Managers attached to IT Division
- ▶ Assistant General Manager (Product Development and Business Process Re-Engineering Project)
- ▶ Any other member of the Board, the Corporate Management and Staff Member as decided by the Committee

ATTEND AS AN OBSERVER

- ▶ Chief Internal Auditor

Meetings held in 2021: 09
(Attendance given on page 88 of this Report)

Joint Human Resource and Remuneration and Information and Technology Committee meeting: 01

Quorum: Two 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 2021

- ▶ Reviewed the Committee Charter.
- ▶ Monitored the ongoing IT developments/IT infrastructure enhancements in the Bank and guided on the proposed developments/improvements.
- ▶ Monitored the operations of the existing critical applications of the Bank and provided necessary guidance to rectify and resolve existing issues.
- ▶ Monitored the progress of the proposed digital banking solution (Internet and Mobile banking system (B-APP) for the Bank.
- ▶ Reviewed the revamping of Corporate Website of the Bank.
- ▶ Reviewed the IT Procurement Plan for 2022.
- ▶ Discussed the Bank's digital initiatives embedded in the Corporate Plan.
- ▶ Discussed the implementation of web-based e-payment solution for the Bank.
- ▶ Initiated the digital marketing platform.
- ▶ Initiated the digital signature platform for the Bank.
- ▶ Reviewed the proposed bio metric-based payment solution.
- ▶ Assisted to fulfill the required HR for IT Division.
- ▶ Initiated the recruitment process for a new Chief Information Officer (CIO) with the expiry of the contract of the previous CIO.

- ▶ Recommended the following

- Customer Loyalty Management Solution for the Bank.
- E-waste Management Policy.
- Appointment of five committees consisting of industry experts to prepare the "IT Road Map" for the next three to five years and streamline the IT infrastructure of the Bank.
- Development of an "Artificial Intelligence Software Tool" for Credit Assessment.
- Measures to be taken to ensure cyber security.
- A Source Code Management System for the IT Division.

The Committee wishes to record an appreciation for Mr Jayampathy Molligoda, who was a Member of this Committee during the year 2021 who has since resigned, from the Board, for the valuable contribution made by him to this Committee.

WAY FORWARD

The Committee will extend its maximum support in ensuring that the Information and Communication Technology infrastructure is resilient during this challenging time and in reshaping the Bank in the new normal environment.

CONCLUSION

The members of the Information and Communication Technology Committee have evaluated the Committee's performance during the year 2021 for effectiveness and efficiency.

On behalf of the Information and Communication Technology Committee



G Harsha Wijayawardhana
Chairman,
Information and Communication Technology Committee

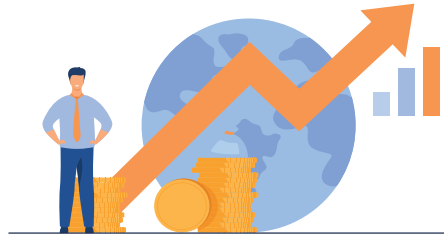
24 February 2022

¹ Mr Jayampathy Molligoda, was appointed to the Committee w.e.f. 04 March 2021 and resigned w.e.f. 31 January 2022.

RISK MANAGEMENT

RISK LANDSCAPE IN 2021

The broad-based socio-economic implications of the COVID-19 pandemic continued to demand attention in 2021, featuring predominantly in the risk landscapes of banks. With pandemic-led disruptions affecting business continuity, supply chains and financial markets, banks around the world braced for an inevitable uptick in non-performing-loans and balance sheet impacts. For Sri Lankan banks, the challenges were compounded by macro-economic vulnerabilities, necessitating a strengthening of risk management processes, particularly in managing credit risk and liquidity risks.



Economic conditions

While growth was inevitably impacted by pandemic-led disruptions in the 2nd and 3rd quarter of the year, the recovery gained momentum in the 4th quarter. Key downside risks include,

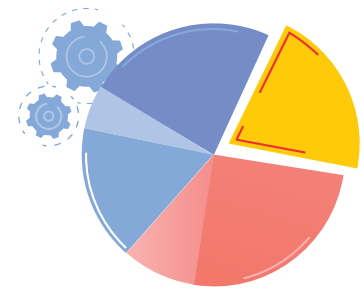
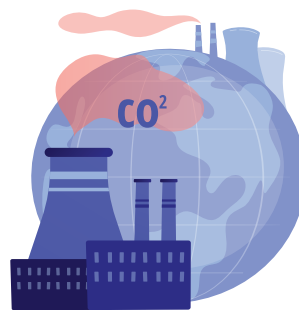
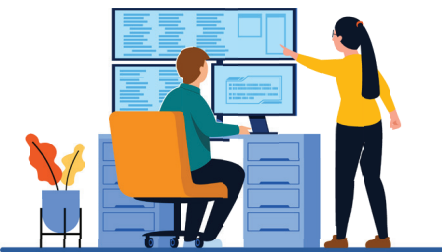
- Pressure on rupee and foreign currency liquidity
- Rising inflation
- Industries with elevated risk
- Supply disruptions
- Import restrictions

Geopolitical conditions

Geopolitical uncertainties emerged due to the COVID-19 pandemic started to subside towards the 4th quarter of the 2021, however the recent turmoil in the world order linked to the global security and political relations have contributed to increase energy and other commodity prices to unprecedented levels.

Regulatory developments

In addition to policy measures adopted to tighten monetary policy, the CBSL implemented a range of measures (particularly on the banking sector) to preserve foreign currency through minimising outflows.



Technology and cyber risk

The unprecedented adoption of digital platforms is likely to remain a permanent shift, thereby elevating risks relating to cyber security, financial crimes and IT infrastructure

Climate change

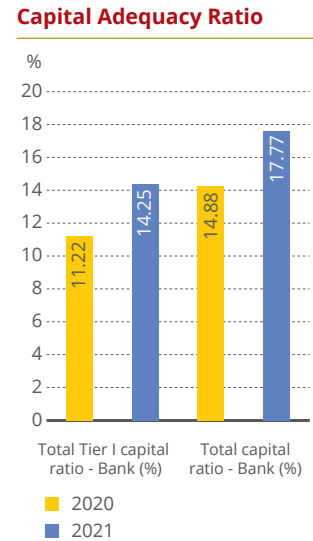
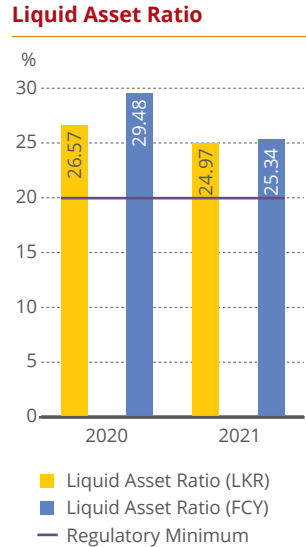
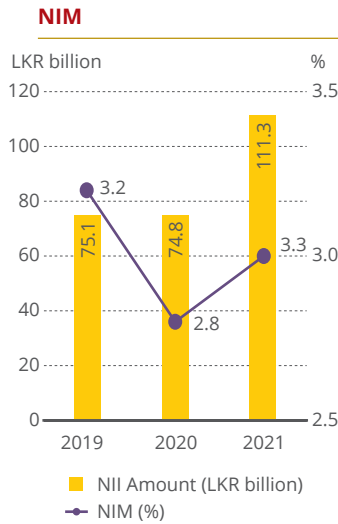
Risks stemming from climate change including erratic weather patterns and natural disasters continue to rank among the most prominent risks facing the world today. For BoC, climate risks affect the agriculture lending portfolio and could also have implications through physical risks (impacting operational continuity) and transition risks to a low-carbon economy.

Competition

The threat of new entrants has escalated, specially, digital banks, mobile service providers and fintechs which have exerted pressure on the competitive positions of traditional banks and their pricing models.

RISK MANAGEMENT

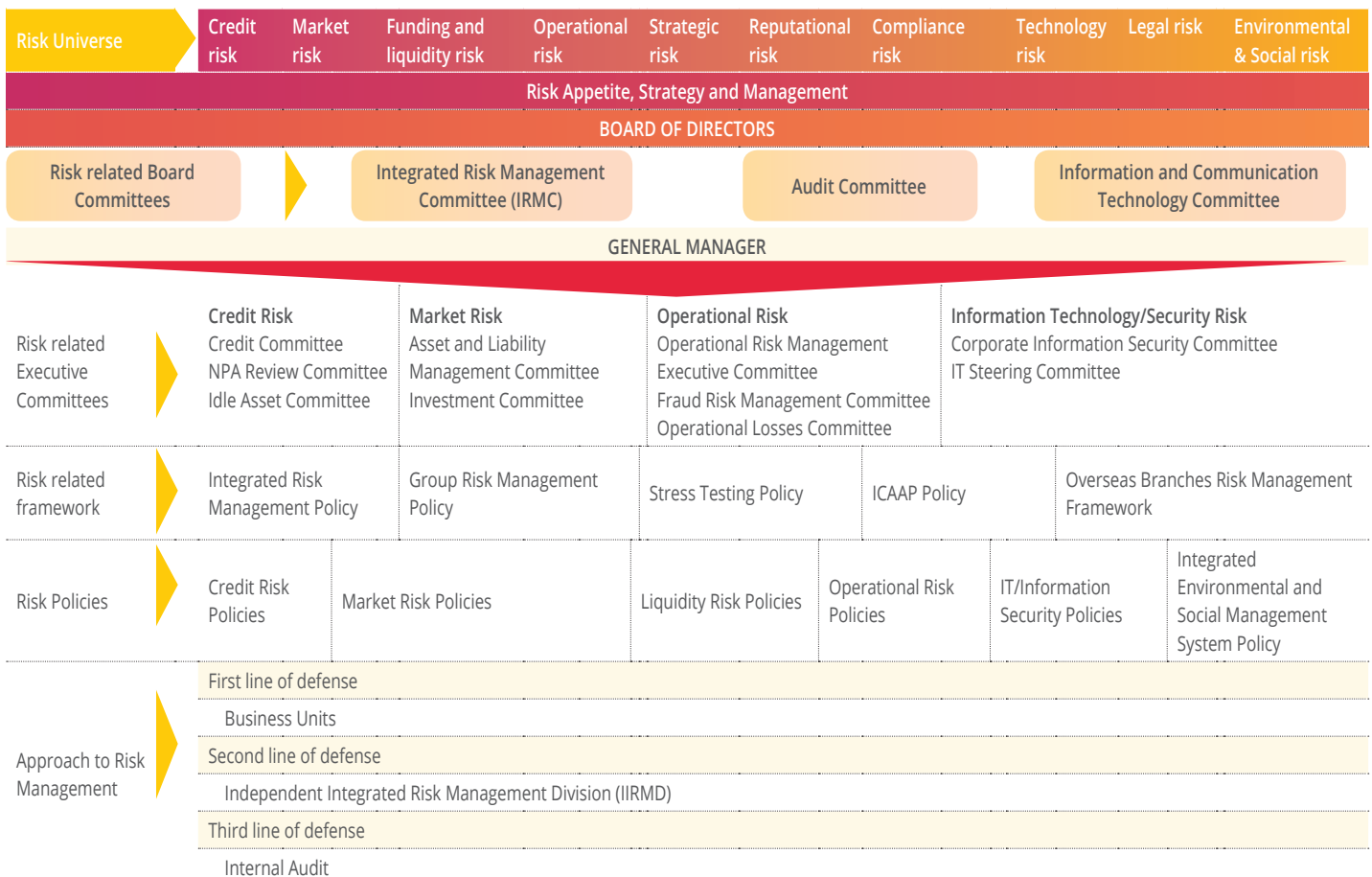
PERFORMANCE HIGHLIGHTS



OUR APPROACH TO RISK MANAGEMENT

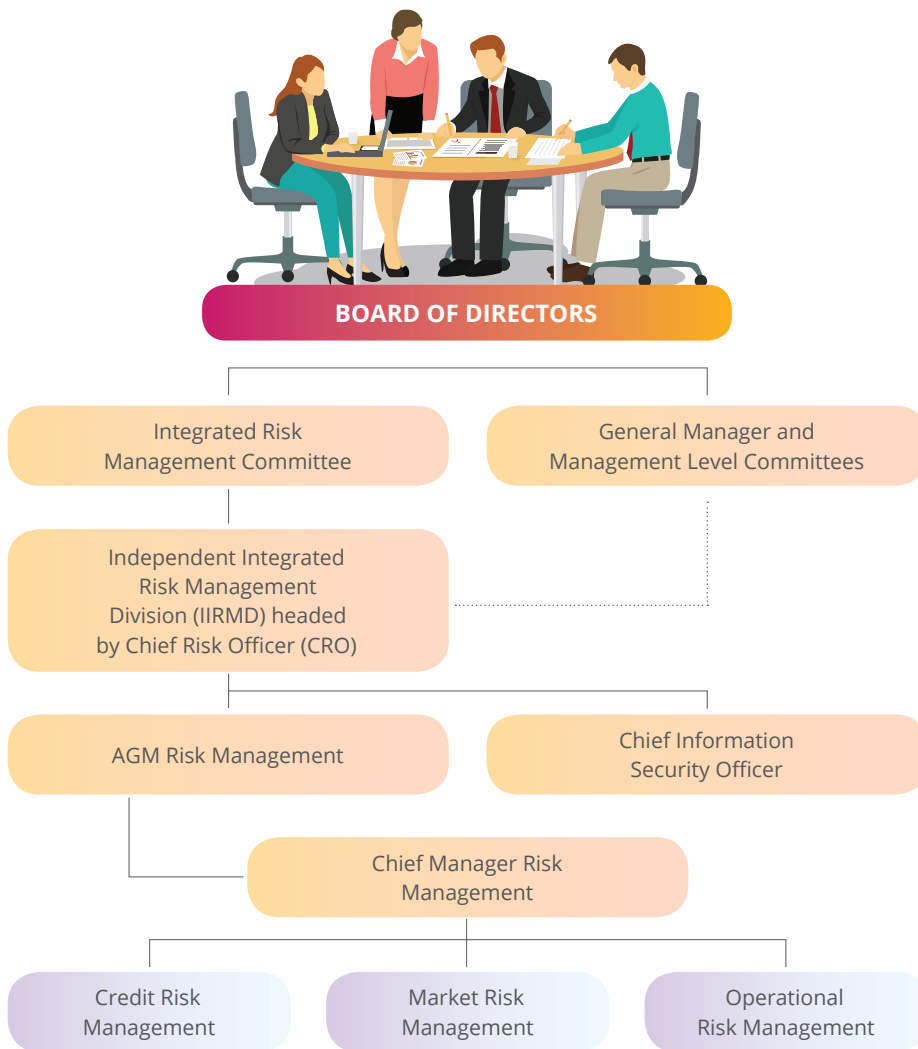
The Bank's risk management is underpinned by an enterprise-wide risk management framework which ensures that all risks are managed within a unitary framework aligned to our strategic priorities, organisational culture and corporate governance practices. Through clearly defined policies and procedures, the framework supports the consistent identification and management of risks across functions, operations and processes.

Enterprise Risk Management Framework



RISK GOVERNANCE

The Board of Directors has apex responsibility for sound risk management and compliance of the Group and is supported in its risk related duties by the IRMC, Audit Committee and ICT Committee. In addition, several committees at executive levels are also responsible for ensuring that the Bank's risk profile is managed within its risk appetite limits. These committees operate under defined mandates and delegated authorities that are reviewed regularly. During the year, the Bank established a dedicated ESMS Unit to identify and manage the Environmental and Social risks in its lending portfolio. The Risk Governance structure is set out alongside:



Composition of Integrated Risk Management Committee

Comprises two Independent Directors and three Non-Executive Directors

Mandate

- ▶ Periodic review and update of risk-related policy frameworks, procedures, and committee charters
- ▶ Approve the Bank's risk appetite including indicators and exposure limits for all keys
- ▶ Ensure the effective functioning of risk-related management committees
- ▶ Review the adequacy of relevant tools and procedures in place for risk identification, measurement, monitoring and mitigation
- ▶ Review the Bank's capital position and future requirements in line with the Internal Capital Adequacy Assessment Process (ICAAP)
- ▶ Evaluate results of periodic stress testing to identify potential pain points and propose risk mitigants
- ▶ Review the Bank's Business Continuity Plan

Composition of Independent Integrated Risk Management Division

Headed by Chief Risk Officer and operates independently

Mandate

- ▶ Determining the Bank's risk appetite, including defining specific key risk indicators, range and limits for approval by the Board of Directors
- ▶ Conduct regular stress testing to assess risks arising from a range of stressed scenarios to assess the impact on performance and capital
- ▶ Support the business units (first line of defense) in risk identification, monitoring and reporting
- ▶ Introduce and implement measures to effectively mitigate risks
- ▶ Ensuring the effective implementation of the Business Continuity Plan
- ▶ Assess potential risks that could arise from the launch of new products and processes
- ▶ Provide ongoing training and communications to employees in developing a risk conscious culture
- ▶ Preparation of a comprehensive ICAAP and Recovery Plan of the Bank

RISK MANAGEMENT

POLICY FRAMEWORK

The Bank's risk-related policies are set out in the Enterprise Risk Management Framework on page 101. These Board approved policies and frameworks support consistency in the identification, measurement, monitor and management of risks across the organization, under the regular review of policies complete set of policies were updated to ensure compliance to CBSL guidelines, industry best practices and dynamic business needs relevance to current market conditions; the scope of selected policies were also widened with social and governance risk incorporated to relevant policies. During the year, the Bank also introduced an Integrated Environmental and Social Management (ESMS) Policy in view of the global escalation of these risks in the banking landscape (refer to page 81 for further information)

ESMS PROCEDURE

Evaluating E&S Risk

Transaction Screening



Risk Categorisation



E&S Due Diligence



Conditions of Financing

Monitoring E&S Risk

Reviewing client/investee E&S performance



Managing non-compliance

RISK CULTURE

The Bank has fostered an evolving enterprise-wide risk culture which has the ability to identify, discuss, escalate and mitigate emerging risks. Strong emphasis on organizational and market intelligence, internal controls, Code of Ethics, policy framework aligned with the Bank's three-lines of defense model is continuously contributing to a creation of sustainable triple bottom line while taking the risk reward dynamics into consideration.

RISK APPETITE

Risk appetite is defined as the level of risk the Bank is prepared to assume within its risk capacity to achieve its strategic objectives. It is articulated quantitatively as risk measures and qualitatively in terms of policies and controls. In addition to defined limits on risk exposures, the Risk Appetite Statement includes risk appetite triggers and defines specific corrective action to be taken in the event that such limits are exceeded/triggered. It is reviewed annually in view of the Bank's strategic aspirations, market opportunities and the optimum balance between risk return dynamics.

Risk Appetite Statement and developments in 2021

RISK METRICS	INDICATOR/METHODOLOGY	ACTION PLAN
Credit Risk		
Concentration risk	Product-wise HHI Sector-wise HHI Geographical-wise HHI (Herfindahl-Hirschman Index)	Regular monitoring and reporting of exceptions to the Board of Directors through IRMC
Default risk	Budgeted NPA % Rating grade wise limits	
Market Risk		
Exchange rate risk	FX VaR	
Equity risk	Equity VaR	
Interest rate risk	PVBP	
Liquidity Risk		
Liquidity	Liquidity Ratios Gap Analysis	
Operational Risk		
Operational loss	Sector-wise operational loss limits	

STRESS TESTING

The Bank conducts regular stress testing to assess the sensitivity of the current and potential risk profile relative to the Bank's risk appetite. The stress testing framework uses a combination of techniques including macro-economic and business model stress testing.

Stress testing aims for an increased risk awareness throughout the Bank and safeguard business continuity by means of pro-active management. It assists the Bank in risk identification and control, complementing other risk management tools, improving capital and liquidity planning and facilitating business decision-making

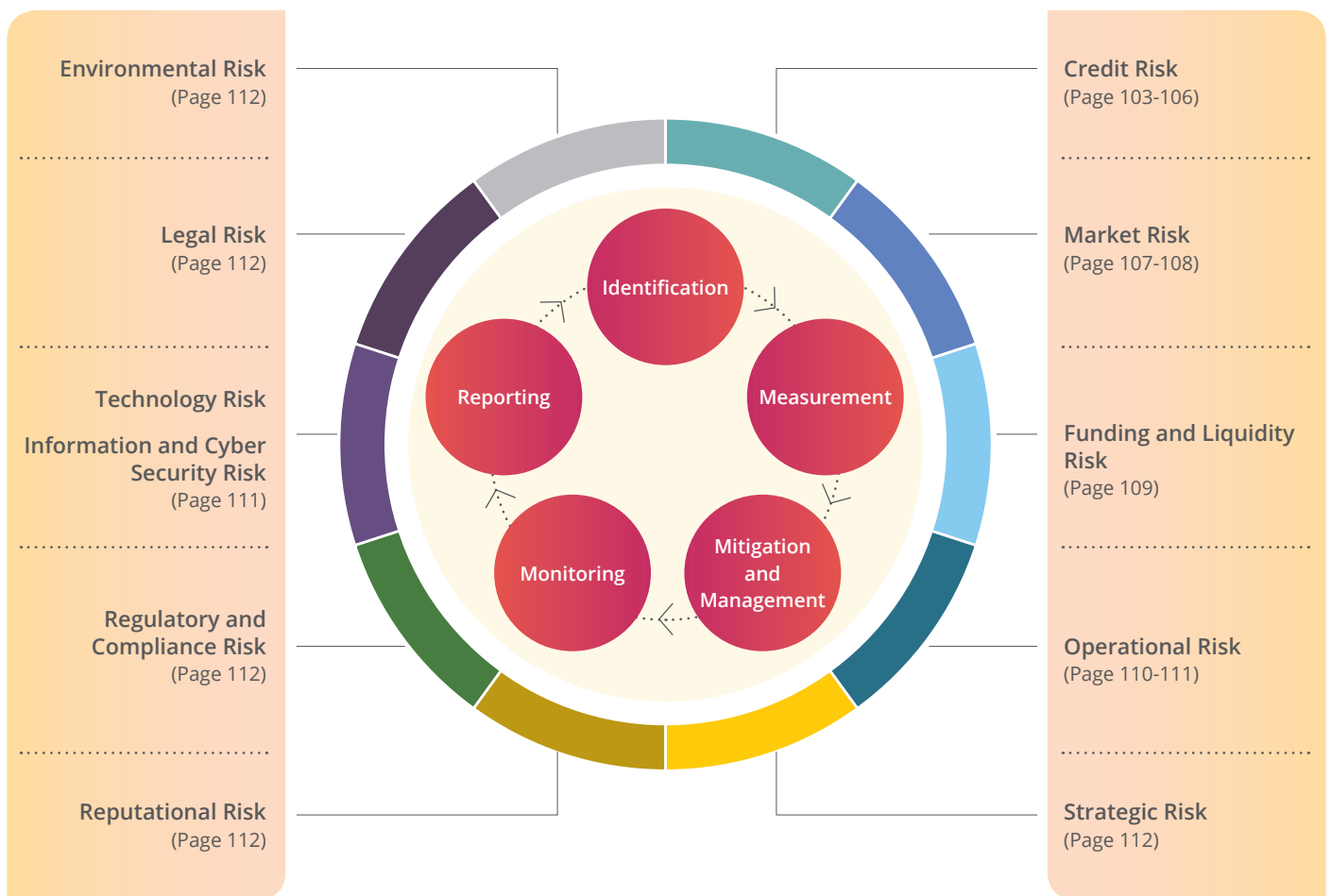
RISK	STRESS SCENARIO	OUTPUTS
Adverse variance of NPA	Increase in gross NPA ratio Default in specific sector/region Slippage of rescheduled loans	▶ Decisions on capital position and strategic business planning in-line with ICAAP
Losing Government exposure	Reduction of Government exposure	
Collateral quality	Collateral depletion	▶ Decisions on capital and liquidity buffers
Deposit run	Drop in deposits	
Fluctuations in FX	Adverse movement in foreign exchange	▶ Decisions on risk appetite targets and measures ▶ Contingency planning
Impact from subsidiaries	Impairment of investment in subsidiaries	
Concentration risk	Idiosyncratic Concentration Top Borrowers Top Depositors Sector Concentration	

RISK REPORTING

All risk exposures are reported to the Board of Directors and Corporate Management on a regular basis through the relevant risk-committees. A comprehensive risk report, comprising risk indicator dashboards and performance against risk appetite indicators is provided to the IRMC monthly and as and when required. Given the conditions that prevailed during the year, risk reporting to the Board was strengthened, with special focus on the risk mitigants adopted to withstand the impacts of COVID-19.

RISK UNIVERSE

The Bank's risk universe comprises internal risks as well as risks stemming from the external environment. With increasing complexities in the operating environment, the Bank has widened the scope of the risks it monitors to increase focus on environmental and social risks. Internal risks are managed systematically on a proactive basis while external risks are monitored on an ongoing basis by the Bank to assess potential impacts on our operations.



RISK PERFORMANCE IN 2021

CREDIT RISK

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 risk, concentration of counterparties, geographical regions, or industry sectors.

Credit Risk Management

BoC's credit risk management framework is governed in line with the three lines of defense model, with credit stemming primarily from the client-facing primary business lines. A robust framework enables the Bank to identify, manage, mitigate and report credit risks in a consistent manner across the organisation and in line with the Bank's risk appetite. A brief overview of the governance structures, policy frameworks and methodologies used in driving the credit risk management agenda is set out below:

RISK MANAGEMENT

BOARD OF DIRECTORS

Holds apex responsibility in ensuring that the Bank's credit risk exposures are maintained within the defined risk appetite.

INTEGRATED RISK MANAGEMENT COMMITTEE

Supports the Board through oversight responsibility on its risk management related duties

CREDIT COMMITTEE (Headed by GM)

- ▶ 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 defense manage and oversee Bank-wide credit Risk Management

CREDIT QUALITY ASSURANCE UNIT

Carries out post-sanctioning review of large credit exposures periodically

ESMS UNIT

Identify and Manage the Bank's exposure to the environmental and social risks of its lending portfolio

CREDIT RISK MANAGEMENT FRAMEWORK

The Bank's comprehensive Credit Risk Management Policy mandates the following pre-credit sanctioning and post-credit monitoring mechanisms.

Pre-credit sanctioning

- ▶ Structured credit appraisal mechanisms and defined credit criteria
- ▶ Multiple levels of approval authority and independent review by CRO
- ▶ Limits for credit risk categories such as default, concentration and counterparty
- ▶ Retail scorecards and borrower rating models
- ▶ Risk based pricing
- ▶ 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

KEY PRINCIPLES

Segregation of duties

Segregation of duties in credit appraisal and post-disbursement monitoring ensures objectivity and effective implementation of appraisal guidelines. Different authority limits granted to approving authorities and independent review by CRO ensures effective segregation of duties.

Credit rating models

The Bank uses internally developed application scorecards and Corporate/Mid Corporate Borrower Ratings for the evaluation of retail credit and the corporate segment respectively. Corporate rating models are coupled with the facility rating and scientific pricing methodology while the model accuracy and sufficiency is independently verified under a robust governance mechanism.

Collateral management

The Bank obtains a range of collateral including cash, gold, properties, fixed assets, debtors and receivables among others as a comfort against possible default. Collateral is valued regularly to ensure adequate coverage against the facility provided.

Culture of responsible lending

Employees are given ongoing opportunities to strengthen credit appraisal and management skills through engagement, workshops, training and web-based learning modules, which in turn underpins the creation of a responsible, risk-conscious culture.

CREDIT RISK PERFORMANCE AND PROFILE IN 2021

Context in 2021: Borrowers' repayment capability was pressured due to pandemic-led disruptions to operations and the macro-economic downturn, which inevitably led to pressure on the portfolio quality. Sector-specific pressures were also witnessed due to the pandemic and macro-economic vulnerabilities, with industries such as tourism, trading, consumption and construction recording a slowdown. BoC was compelled to balance the competing interests of preserving portfolio quality, while supporting its customers to drive long-term commercial sustainability. The regulator continued to support affected business through extension of debt moratoriums till June 2022.

FOCUS AREAS AND DEVELOPMENTS IN 2021

Given the conditions that prevailed during the year, the Bank's credit risk management priority was to preserve portfolio quality while ensuring support to customers with the aim of reviving and rehabilitating their businesses. Key developments during the year included:

Strengthened Risk Monitoring

- ▶ Rating all corporate and mid-corporate borrowers
- ▶ Monitor adherence to rating based lending and risk-based pricing
- ▶ Developed a mechanism to identify and classify the restructured facilities following directions on SLFRS
- ▶ Cross border risk review and reporting

Customer revival and rehabilitation

- ▶ Ongoing and proactive engagement with customers to formulate customised repayment plans
- ▶ Guidance on managing cash flows

Training and Development

- ▶ Strengthening competencies in credit evaluation.
- ▶ ESMS training from Industry Experts
- ▶ Nurture a culture of customer rehabilitation rather than recovery

Policies and procedures

- ▶ Comprehensive review of all policies to ensure relevance to new developments
- ▶ Completion of model validation

ESMS Unit

- ▶ A Special Unit on ESMS has been established under the office of the CRO.

Stringent provisioning

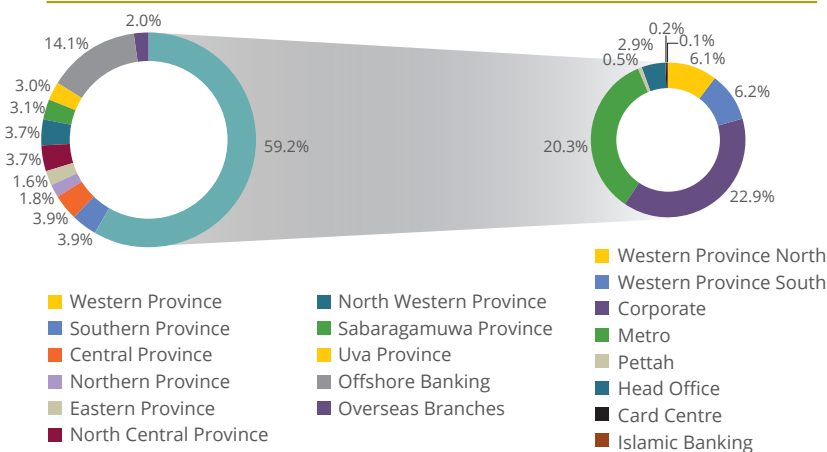
- ▶ Additional impairment on loans converted under moratoriums, resulting in cumulative additional impairment of over 20%
- ▶ Additional impairment on identified risk elevated industries

Credit quality assurance

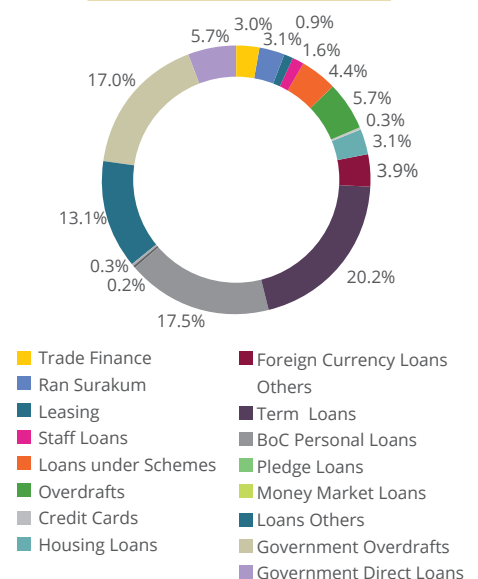
- ▶ Post sanctioning review of large credit exposures through the Credit Quality Assurance Unit
- ▶ Strengthening Credit Quality Assurance Units under selected Retail and Corporate ranges to monitor the credit exposures below LKR 500 million

CREDIT RISK PERFORMANCE IN 2021

Geographical Concentration

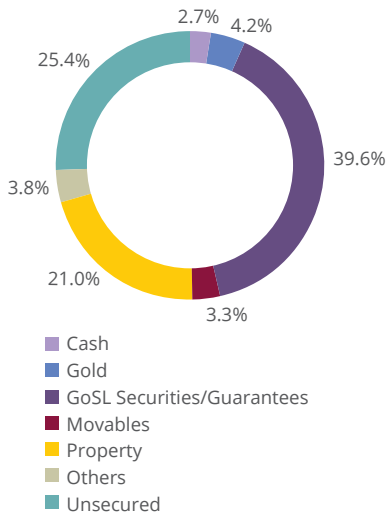


Product wise Concentration

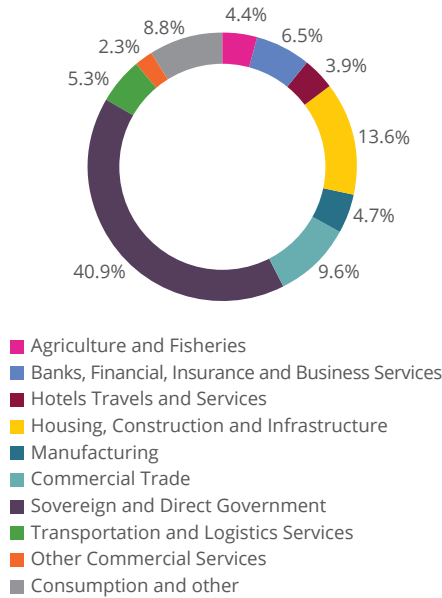


RISK MANAGEMENT

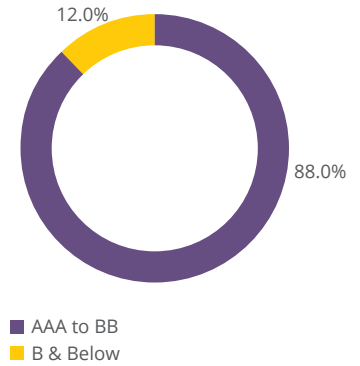
Collateral Concentration



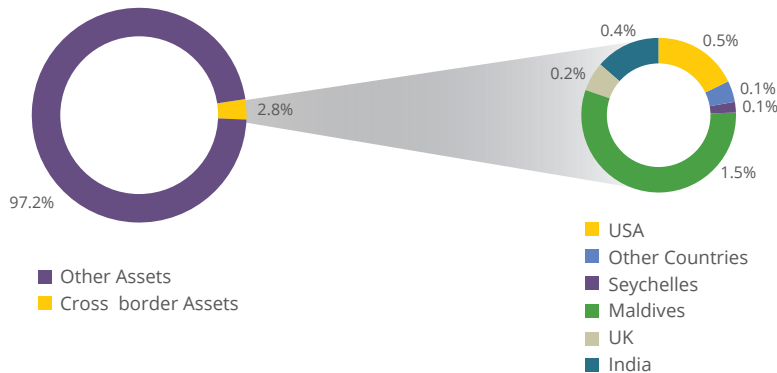
Sector Concentration



Rating Grade wise Distribution



Cross border exposure of the Bank



The Bank's gross NPA ratio improved to 4.47%, from 4.76% last year and remaining largely in line with the industry average. Impairment costs increased by 40%, reflecting economic conditions, increased impairments on foreign currency denominated government securities and the Bank's prudent approach in recognising expected losses.

88% of the Bank's portfolio comprised borrowers in the rating categories of BBB and above as demonstrated below:

Concentration risk arises from high lending exposure to a counterparty/group, sector, product, or region and is measured through the Herfindahl-Hirschman Index (HHI). The Bank's portfolio remains well concentrated with diverse exposures across sectors, products and regions.

MARKET RISK

Potential losses arising from changes in earnings, market or future cash flows of a portfolio of financial instruments resultant from adverse movements in market variables such as interest rates, foreign exchange rates, share prices and commodity prices. Market risk arises through the lending book and the trading

book and comprises the following:

- ▶ Interest rate risk arising from the Bank's trading and non-trading books
- ▶ Foreign exchange risk stemming from foreign currency denoted transactions
- ▶ Equity risk – losses from volatilities in equity prices

Market Risk Management

The Bank's market risk management framework recognises the importance of sound market risk management and is based on the clearly defined governance structures, tools and procedures to identify, measure and management of market risks.

BOARD OF DIRECTORS

Holds apex responsibility in ensuring that the Bank's market risk exposures are proactively monitored and maintained within the defined risk appetite.

INTEGRATED RISK MANAGEMENT COMMITTEE

Supports the Board through oversight responsibility on its risk management related duties

ASSET AND LIABILITY MANAGEMENT COMMITTEE

- ▶ Analysis of market risk associated with financial markets and recommending mitigation actions
- ▶ Recommending and approval of the market risk limits within its delegated authority
- ▶ Oversee various enterprise-wide market risk exposures
- ▶ Recommending the appropriate pricing structure

Treasury Middle Office/Market Risk Management Unit

Independently review the treasury functions. The middle office operates independently from the Treasury Unit and is governed by the Market Risk Management Policy and Limit Management Framework.

KEY ELEMENTS

MARKET RISK POLICIES

The Market Risk Policy Framework comprises the Market Risk Management Policy, Limit Management Framework, Foreign Exchange Risk Management policy and Middle Office Operations Manual. The 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. The limits are also 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. This 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 MARKET RISKS

Interest Rate Risk (IRR)

IRR is significant given the Bank's large exposure to interest sensitive assets and liabilities. BoC manages IRR through clearly defined set of tools and indicators. Maturity mismatches, interest rate gaps and Price Value per Basis Point (PVBP) are monitored on a consistent basis, while implications of changes in macro-economic conditions are assessed through regular stress testing.

Foreign Exchange Risk

FOREX transactions are governed by stringent internal policies, including approval mechanisms, external regulatory guidelines and limits set by CBSL. Internally a comprehensive limit structure, comprising VaR limits, volume limits for open positions of both individual and aggregate currency exposures are used to manage vulnerabilities. The Bank also conducts stress testing on the plausible forex risk scenarios.

Equity Risk

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 that the limit structure is in place for proper management of equity portfolio. Equity risk management function is complemented by a comprehensive stress testing analysis.

RISK MANAGEMENT

MARKET RISK PERFORMANCE AND PROFILE IN 2021

Considerable volatility in exchange rates during the first quarter of the year and managed exchange rates thereafter coupled with the frequent change in directions of market risk indicators rendered 2021 an extremely challenging year in managing market risks. Tightening monetary policy

stance during later part of the year, led the players in the financial industry undergo stresses with their portfolios. Foreign currency liquidity remained scarce in the market due to net outflows of capital markets, deteriorated foreign remittances and diminished export proceeds stemming

from the adverse developments in the global front. Increase in the SRR along with the tightening monetary policy absorbed rupee liquidity in the market. Sri Lanka's equity market surged to record-highs on domestic market participation, although foreigners were net sellers during the year.

FOCUS AREAS AND DEVELOPMENTS IN 2021

From a market risk management perspective, emphasis was placed on enhancing the Bank's liquidity levels and strengthening monitoring of market risk indicators given the increased volatility in exchange rates, interest rates, inflation and equity market indices.

Improved Analysis and Reporting Mechanisms

Regular Reporting

- ▶ Increase frequency to match the uncertainties
- ▶ Stress testing covering plausible scenarios
- ▶ Extensive analysis on the Bank's position on market risk aspects
- ▶ Periodic reporting on Rupee and Foreign Currency liquidity levels
- ▶ Equity market movements
- ▶ Gold price movements and their impact on the Bank

Strengthened Policies and Procedures

- ▶ Comprehensive review of market risk management and forex risk management policies
- ▶ Review of Limit Management Framework
- ▶ Introduction of new stress analysis to cover impending economic scenarios

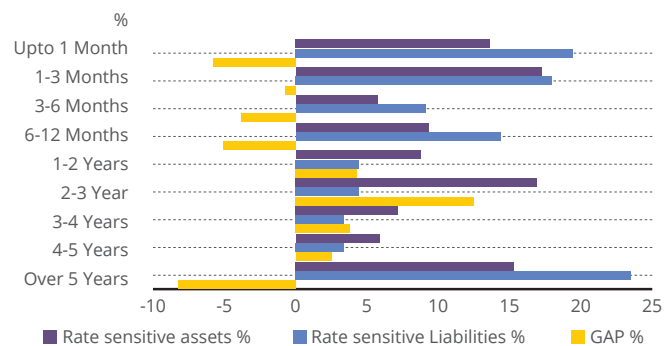
Strengthened Capital and Liquidity Positions

- ▶ Issue of Basel compliant instruments to strengthen liquidity and capital
- ▶ Access FCY through trade back loans utilising the multilateral development banks and other international lenders

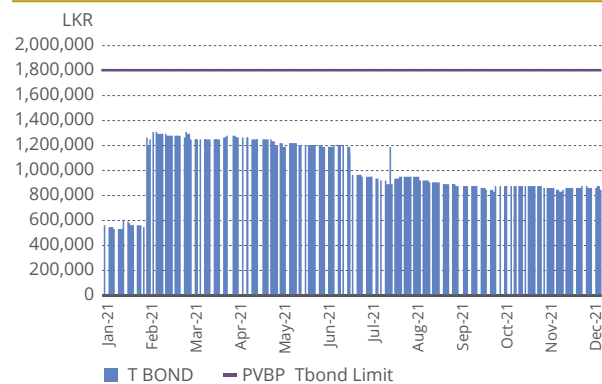
Training and Development

- ▶ Training for Treasury middle office function, in line with regulatory developments

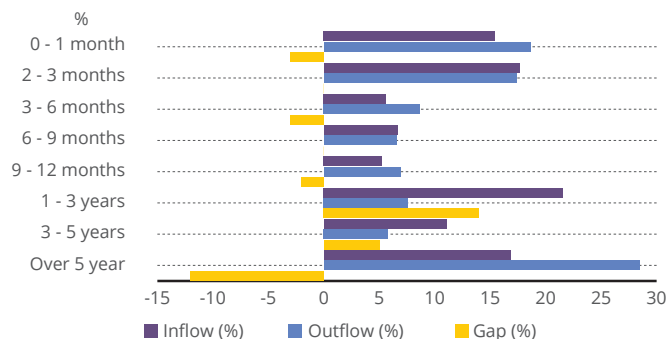
Sensitivity Analysis of Assets and Liabilities December 2021



PVBP T Bond



Maturity Analysis of Assets and Liabilities



LIQUIDITY RISK

Potential losses to earnings and/or capital due to the inability to meet the Bank's contractual obligations as and when they are due.

The Bank's Liquidity Risk Management Framework sets out the responsibilities, processes, reporting and assurance required to support the management of liquidity risk. It also articulates the board-approved risk appetite in the form

of limits and guidelines. The ALCO holds responsibility for managing liquidity risks and consistently monitors the Bank's liquidity position to ensure compliance to regulatory requirements and internal targets.

BOARD OF DIRECTORS

Holds ultimate responsibility for managing the Bank's liquidity risks within the defined parameters set out in the risk appetite

INTEGRATED RISK MANAGEMENT COMMITTEE

Supports the Board through oversight responsibility on its risk management related duties

ASSET AND LIABILITY MANAGEMENT COMMITTEE

- ▶ Consistent monitoring of the liquidity profile to ensure compliance to regulatory requirements and internal targets
- ▶ Formulation of a contingency liquidity plan
- ▶ Exploring avenues of bridging liquidity shortfalls and alternative funding arrangements
- ▶ Recommending the relevant risk appetite limits
- ▶ Evaluating quarterly stress testing and make recommendations

Liquidity Policies

Policies such as Liquidity Risk Management and Asset Liability Management provide guidance on the 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 smooth continuity of operations in the event of liquidity stress.

LIQUIDITY RISK MANAGEMENT IN 2021

In addition to the pressure on rupee liquidity stemming from increasing Government exposure, shortage in FCY in the market and the substantial amount of foreign exchange commitments Bank has to undertake in favour of various institutions as the premiere commercial bank in the country, exerted intense challenges in managing foreign currency liquidity. Bank prudently managed this task by catering the

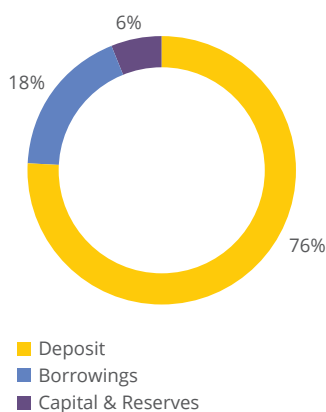
needs on priority basis and using various alternatives available within tolerable limits.

Remittances coming into the country through formal channels have declined due to the managed exchange rate, while dollar inflow through informal channels have recorded a significant growth due to more attractive rates. Bank pursued multiple avenues of strengthening funding/

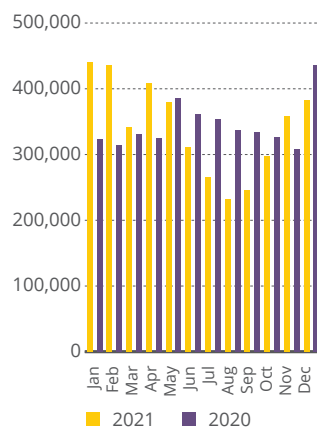
liquidity profile, which included exploring avenues for foreign funding through development financial institutions. The Bank also leveraged its strong local currency and foreign currency deposit franchise, diverse funding profile and leading market position in remittances to effectively manage its liquidity levels. Maintaining high quality liquid assets portfolio strengthened the liquidity level of the Bank.

The Bank's key liquidity indicators for 2021 are set out below:

Funding Composition 2021



Unencumbered Securities



Liquidity Ratios

YEAR	LCR	LAR	NSFR	CD RATIO
2021	111.45%	24.97%	124.31%	89.68%
2020	136.97%	26.57%	131.00%	85.57%

RISK MANAGEMENT

OPERATIONAL RISK

Potential losses resulting from inadequate or failed internal processes, people, and systems or from external events. Operational risk includes legal risk but excludes strategic and reputation risk.

Operational Risk Management

Managing operational risk is an organisation-wide discipline and is implemented using tools embedded in the Bank's Operational Risk Management

Framework. The framework supports the identification, measurement, management, monitoring and reporting of material operational risks as set out below:

BOARD OF DIRECTORS

Holds apex responsibility in ensuring that the Bank's operational risks are managed in line with the parameters defined in the risk appetite statement

INTEGRATED RISK MANAGEMENT COMMITTEE

Supports the Board through oversight responsibility on its risk management related duties. It is responsible for implementing the Bank's operational risk management framework and monitoring performance on a consistent basis.

OPERATIONAL RISK MANAGEMENT EXECUTIVE COMMITTEE (ORMEC)

FRAUD RISK MANAGEMENT COMMITTEE (FRMC)

OPERATIONAL RISK MANAGEMENT UNIT

TOOLS AND MECHANISMS

Policy Framework

Key policies include Operational Risk Management Policy, the Fraud Risk Management Policy, and the Information Security Risk Management Policy which clearly set out guidelines on the responsibilities, tools, and procedures in the identification, assessment, mitigation and monitoring of operational risks.

Risk Identification and Measurement

Risk and Control Self-Assessments (RCSA) which enable the identification of potential pain points are carried out for critical business units. Key risk indicators, internal losses data and root cause analysis are also used to evaluate exposure to operational risks.

Reporting and Monitoring

The IRMC and the Board is regularly updated on operational risk events/ losses and control failures. The Bank also maintains a database of operational losses allowing the identification of trends and root causes. As an organisation-wide risk exposure, Bank strive to nurture a risk conscious culture by encouraging employee to share knowledge.

MITIGATION

Business Continuity Plans for all critical business units and support functions

State-of-the-art disaster recovery centre

Indemnity insurance to mitigate high impact risks

Ongoing process evaluation to identify gaps/painpoints

OPERATIONAL RISK MANAGEMENT IN 2021

The unprecedented shifts in operating models following the outbreak of the pandemic has elevated banks' exposure to operational risks. Accelerated digital

adoption has increased IT and cyber security vulnerabilities while remote working arrangements have intensified the risk of data loss, people-related risks and

frauds. Against this backdrop, BoC adopted wide-ranging measures to strengthen its operational risk management framework.

FOCUS AREAS AND DEVELOPMENTS IN 2021

Strategic emphasis was placed on strengthening the Bank's cybersecurity risk frameworks during the year, in addition to enhancing the identification and monitoring process of other operational risks.

Strengthened risk identification

- ▶ Enhanced provincial risk management through deploying a checklist for operational risk
- ▶ Strengthened risk assessment in critical functions such as cash management and safe deposit locker system

Monitoring and Reporting

- ▶ Key risk indicators were used extensively to monitor operational risk exposures
- ▶ Root cause analysis on material incidents
- ▶ Improved Risk Dashboard incorporating information security aspects

Policies and Procedures

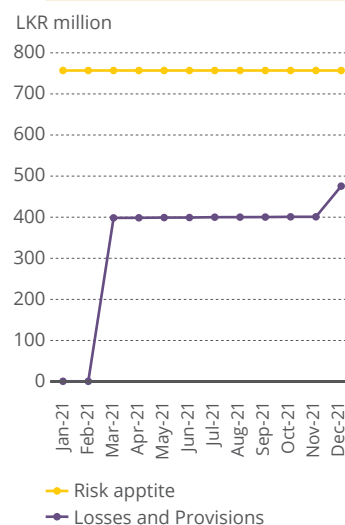
- ▶ Review loss data circular
- ▶ Update Operational Risk Management Policy and Fraud Risk Management Policy
- ▶ Formulation of new policies/ operations manuals for several operational units (back office operations, CCTV operations, etc.)

Strengthening Information Security

- ▶ Initiated ISO 27001 implementation
- ▶ Initial steps to establish COBIT governance framework in the Bank
- ▶ Review Information Security Risk Policies

OPERATIONAL RISK PERFORMANCE IN 2021

Risk Appetite vs Actual Losses and Provisions



TOP AND EMERGING OPERATIONAL RISK THEMES

TECHNOLOGY AND CYBER SECURITY

The risk of loss or theft of information, data and money, or potential service disruption stemming from the adoption of IT within the Bank.

Key areas of focus in 2021

- ▶ Commenced the implementation of ISO 27001 in the IT Division
- ▶ Efforts to nurture a culture of IT security through Information Security Quiz and training programmes
- ▶ Incorporation of Information Security Index for ICAAP.
- ▶ Ensured continuity of operations through secure remote connectivity while minimising risk.
- ▶ Revision of Information Security Policies, Information Technology Risk Management Policies and Cyber Security Policies of all overseas branches and Vulnerability Management policy of the Bank.
- ▶ Initial plans to implement COBIT IT governance framework within the Bank

PEOPLE RELATED RISKS

The pandemic has intensified people-related risk aspects including physical and mental well-being, risk of employee isolation and challenges in supporting the work life balance requirements of employees. In 2021, the Bank's people strategy aimed to,

- ▶ Ensure comprehensive safety measures for all employees
- ▶ Ongoing virtual engagement and development initiatives
- ▶ Strengthened remuneration schemes
- ▶ Facilitated work from home and remote working arrangements

RISK MANAGEMENT

REGULATORY AND COMPLIANCE RISKS

Frequent changes in regulatory guidelines have increased the risk of non-compliance stemming from varied interpretation and manner of implementation. This is mitigated through,

- ▶ Close and proactive engagement with regulators
- ▶ Dedicated compliance unit monitoring all compliance with guidelines and regulations

Other Risks

In addition to the principal risks described above, BoC proactively monitors and manages the vulnerabilities stemming from the following internal and external risks.

CLIMATE-RELATED RISKS

Climate-related risks including natural disasters and the failure to implement long-term solutions are among the key risks faced by organisations today. In cognisance of this, BOC intends to strengthen its climate risk management framework and during the year took steps to enhance identification and mitigation measures as described below. The Bank's exposure to climate risk stems primarily from the following:

Credit risk

Lending exposures which have high exposure to climate change including agriculture, sectors that rely on agricultural inputs and tourism

Operational risk

Risks stemming from natural disasters and erratic weather that can directly or indirectly disrupt the Bank's operations

Transition risks

Risk of changes in policies, investments and strategies and economies gradually shift towards low-carbon societies

Measures adopted by the Group include the following

- ▶ Roll out of a comprehensive Environment and Social Management System (ESMS) with the establishment of a dedicated ESMS Unit under the IIRMD, integration of the ESMS Policy and adherence to guidelines of donor funding institutions.
- ▶ Increased focus on renewable energy both from a lending perspective and internal operations
- ▶ Raising employee awareness on ESMS management within the Bank
- ▶ Establishing the foundation for complying with the TCFD (Task force on Climate-related Financial Disclosures) within the next three years.

Legal Risk

Potential losses to earnings and reputational damage arising from non-compliance with regulatory/statutory provisions, uncertainty due to legal actions or uncertainty in the applicability or interpretation of relevant laws or regulation applicable to the bank.

- ▶ A highly-skilled and experienced legal function ensures that all exposures are mitigated through ongoing review of legally binding agreements. This is supported by the Bank's compliance function.
- ▶ Ensuring all policies, procedures and guidelines are robust and relevant given changing regulatory requirements and stakeholder consideration.

There were no material losses suffered by the bank due to legal risk.

Reputation Risk

Reputational risks arise from the loss of confidence and negative perception of the Bank which can adversely impact earnings, assets, capital position and/or brand value. During the year, reputation risk was mitigated through,

- ▶ Leading role in supporting macro-economic stability and the country's economic revival through lending to critical sectors of the economy and rehabilitating customers.
- ▶ BoC is consistently ranked as one of Sri Lanka's leading brands and the No.1 brand in the banking sector.
- ▶ Supported uninterrupted access to essentials through facilitating the import of fuel, medicine and vaccinations.
- ▶ Increase in Brand Value during the year.

Strategic Risk

Potential losses arising from the possible flaws in the Bank's future business plans and the possibilities of strategies being inadequate.

The Bank's strategic risks are mitigated through,

- ▶ Strategic direction of the bank given by its vision and mission is articulated to a corporate plan with specific measurable time bound targets
- ▶ Robust mechanism for formulating strategy including inputs by the Corporate and Executive Management team, assessment of the operating landscape, consideration of stakeholder needs and finally deliberations by the Board of Directors
- ▶ Continued monitoring of performance against defined targets
- ▶ Use of comprehensive scorecards to measure strategic risk exposures

CAPITAL MANAGEMENT & INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

As a state bank, BoC is limited in its ability to access the equity market for capital and must rely primarily on internal profit generation and Government infusions in enhancing capital. Accordingly, the Bank strategically managed its dividend outflow during the year, thereby enhancing internally generated profits. The Bank also raised LKR 3.4 billion via Basel Compliant AT1 instrument as well as LKR 5.2 billion through a Tier II subordinated debenture. These initiatives, strengthened the Bank's capital position during the year, with capital base increasing by LKR 45.2 billion to LKR 243.0 billion.

CAPITAL ADEQUACY	DECEMBER 2021	DECEMBER 2020
Tier I	14.25%	11.22%
Total	17.77%	14.88%

Refer page 345 for more details

Aligned with the pillar II requirements, ICAAP enables robust management of the Bank's capital structure, through aligning capital requirements to its risk profile, thereby ensuring that adequate capital is maintained to deliver its strategic agenda. In addition to the credit, market and operational risks the Bank's ICAAP takes into consideration liquidity, interest rate risk in the banking book, reputational, compliance, strategic and cyber security risks. The ICAAP steering committee which is headed by the General Manager is responsible for assessing and managing these material risks.

Stress testing is an important element of Pillar 2 (Supervisory Review) and showcases the sensitivity of the Bank's risk profile to a range of variables. The Board of Directors is responsible for ensuring that stress testing is conducted regularly and effectively in line with the Board-approved Stress Testing Policy supported by reviews of ICAAP Steering Committee. In addition to providing direction on capital allocation, the stress testing exercise facilitates the setting of risk appetite triggers, tolerance limits and formulation of contingency plans.

Given the shifts in the risk landscape, the Bank adopted the following measures during the year;

- ▶ Stress testing multiple scenario including the COVID-19 impact incorporating adverse impacts on liquidity, increase in NPA due to facilities under moratorium being transferred to NPA and excessive credit growth
- ▶ Incorporation of new risk indicators in the reputational risk, strategic risk and compliance risk indices in order to be more prudent in assessing operational Risk
- ▶ Incorporation of new stress testing scenarios
- ▶ Incorporation of cyber security to the ICAAP with a new cyber security index to reflect the increased levels of digital adoption.

RECOVERY PLAN (RCP)

In line with the regulatory guidelines, the Bank is in the process of preparing the RCP which will be implemented during 2022.

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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 2021 of the Bank and the Group and the Auditor General's Report on those Financial Statements, conforming to the requirements of the Bank of Ceylon Ordinance No. 53 of 1938 and Banking Act No. 30 of 1988 and amendments thereto. The Report also includes certain disclosures laid down by the Colombo Stock Exchange Listing Rules and certain disclosures required to be made under the Banking Act Direction No. 11 of 2007 on Corporate Governance for licensed commercial banks issued by the Central Bank of Sri Lanka and subsequent amendments thereto. The Directors reviewed and approved the Financial Statements on 24 February 2022.

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 140. 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 been changed as in the first quarter 2021 Property Development PLC has disposed its fully owned subsidiary of Koladeniya Hydropower (Private) Limited.

Further, Merchant Bank of Sri Lanka & Finance PLC has issued LKR 2.2 billion worth of new ordinary shares under a right issue. The Bank and its fully owned subsidiary BOC Property Development & Management (Private) Limited invested in this share issue and the Bank's shareholding increased to 84.5%.

Notes to the Financial Statements No. 31 and 32 on pages from 207 to 214 of this Annual Report give details about the Group.

2.4 Vision, Mission and Corporate Conduct

The Bank's Vision and Mission are given in the second inner back cover of this Annual Report. The Bank maintains high ethical standards in its activities whilst pursuing the objectives stated under 'Vision', 'Mission' and 'Value Statements'.

2.5 Review of the Year's Performance

The Chairman's Message on pages 10 to 13 deals with the year's performance of the Bank / Group and on the Sri Lankan economy. The General Manager's Review on pages 14 to 17 provides a detailed description of the operations of the Bank during the year under review. The section titled "Chief Financial Officer's Review" on pages 52 to 55 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

Even though the COVID-19 pandemic situation prevailed across the country, the Bank expanded its network by 104 CRMs during the year across the island, bringing out the total direct customer contact points to 2,071.

This number does not include peer banks' ATMs through which customers of Bank of Ceylon can transact and School "Sansada" and Mobile saving units.

2.7 Corporate Donations

The Bank has donated LKR 79.5 million on Corporate Social Responsibility (CSR) activities carried out during the year 2021 (2020 - LKR 75.0 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 prepared also 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 125 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 2021 is given on pages 126 to 129 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).

ANNUAL REPORT OF THE DIRECTORS ON THE STATE OF AFFAIRS OF BANK OF CEYLON

The accounting policies adopted in the preparation of Financial Statements are given on pages 140 to 315.

3. Planned Developments

An overview of the developments planned by the Bank for the future is presented in the Chairman's Message on pages 10 to 13 and General Manager's Review on pages 14 to 17 of this Annual Report.

4. Total Income

The total income of the Group for the year 2021 was LKR 297,621 million as against LKR 252,756 million in the previous year. The Bank's total income accounted for 97.6% (2020 - 97.8%) of the total income of the Group. The main income of the Group is interest income, which comprises 89.6% (2020 - 91.6%) of the total income.

5. Dividends and Reserves

5.1 Profit and Appropriations

The Bank has recorded a profit before tax of LKR 43,189 million in 2021 reflecting a notable increase of 83.4%, compared to LKR 23,552 million recorded for the previous year.

After deducting LKR 5,599 million (2020 - LKR 5,787 million) for income tax, the Bank has recorded Profit After Tax (PAT) for the year 2021 amounted to LKR 37,590 million, which is a 111.6% increase compared to LKR 17,765 million PAT reported in 2020.

Details of the profit relating to the Bank and the Group are given in the table below:

For the year ended 31 December	Bank		Group	
	2021	2020	2021	2020
	LKR million	LKR million	LKR million	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	52,216	29,010	53,843	27,627
Taxes on financial services	(9,027)	(5,458)	(9,340)	(5,463)
Share of profits / (losses) of associate companies net of tax	-	-	134	82
Profit before income tax	43,189	23,552	44,637	22,246
Income tax expense	(5,599)	(5,787)	(5,954)	(5,939)
Profit for the year	37,590	17,765	38,683	16,307
Other comprehensive income for the year, net of tax	8,357	(1,792)	9,567	(730)
Total comprehensive income for the year	45,947	15,973	48,250	15,577
Appropriations				
Transfers to permanent reserve fund	(752)	(356)	(752)	(356)
Dividends	(1,846)	(1,596)	(1,846)	(1,596)

The profit before tax of the Group also increased from LKR 22,246 million to LKR 44,637 million, a remarkable increase of 100.7% in comparison to the previous year.

After deducting LKR 5,954 million for income tax (2020 - LKR 5,939 million), the profit after tax for the year of the Group is LKR 38,683 million in 2021 (2020 - LKR 16,307 million).

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 1,846 million has been paid out by the Bank as dividends for the year 2021 (2020 - LKR 1,596 million).

5.3 Reserves

The total reserves of the Group stood at LKR 188,807 million as at 31 December 2021 (2020 - LKR 142,689 million). The Group reserves consist of the following:

As at 31 December	Group	
	2021	2020
	LKR million	LKR million
Permanent reserve fund	14,491	13,739
Cash flow hedge reserve	3,239	-
Revaluation reserve	26,303	24,853
Free reserve	367	367
Exchange translation reserve	4,461	3,335
FVOCI reserve	1,483	2,573
Statutory reserve	359	359
Retained earnings	138,104	97,463
Total	188,807	142,689

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 2,372 million (2020 – LKR 3,461 million) the details of which are given in Notes 34 and 36 of Financial Statements on pages 217 to 235 and 238 to 239 of this Annual Report.

7. Value of Freehold Properties

The value of freehold properties owned by the Group as at 31 December 2021 is included in Note 34.2 of the Financial Statements at LKR 29,560 million (2020 – LKR 29,252 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 2021 was LKR 25,000 million (2020 – LKR 25,000 million).

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 3.4 billion (2020 – LKR 15.0 billion) through the issuance of Basel III compliant, unlisted, rated, unsecured, subordinated, perpetual Additional Tier 1 (AT1) Capital bonds with a non-viability full and permanent write down at an issue price of LKR 100 each.

These AT1 capital bonds are not listed on the Colombo Stock Exchange and are confined to qualified investors. The bonds are irredeemable and may be callable by the Bank at its discretion at any time after five years from the date of issue, subject to approval of the Central Bank of Sri Lanka.

Apart from the above, the Bank has issued unlisted unsecured subordinated redeemable debentures with non – viability write down features, amounting to LKR 5.2 billion during the year ended 31 December 2021 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 256 to 259.

10. Share Information

The basic earnings per share and net assets value per share of the Group were LKR 1,540 (2020 - LKR 674) and LKR 8,552 (2020 - LKR 6,708) 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 74 to 77 under the section titled “Country and Community”.

12. Directors

Details of Directors who held the office during the year 2021 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 19 to 21 of this Annual report. As of the Annual Report sign- off date, the number of Directors holding office is five (5).

Board of Directors as of the sign off date;

Name of the Director	Executive / Non-Executive Status	Status of Independence
Mr Kanchana Ratwatte	Non-Executive	Independent
Mr R M Priyantha Rathnayake	Non-Executive Ex officio	Non-Independent
Mr G Harsha Wijayawardhana	Non-Executive	Independent
Mr A C Manilka Fernando	Non-Executive	Independent
Major General (Rtd.) G A Chandrasiri	Non-Executive	Independent

During the year 2021, the Board consisted of the following members;

12.1 List of Directors

Mr Kanchana Ratwatte
 Independent Non-Executive Director / Chairman
(Appointed w.e.f. 02 January 2020)

Mr R M Priyantha Rathnayake
 Non-Executive Ex officio Director
(Appointed w.e.f. 28 April 2020)

Mr G Harsha Wijayawardhana
 Independent Non-Executive Director
(Appointed w.e.f. 14 January 2020)

Mr A C Manilka Fernando
 Independent Non-Executive Director
(Appointed w.e.f. 21 April 2020)

Major General (Rtd.) G A Chandrasiri
 Independent Non-Executive Director
(Appointed w.e.f. 08 January 2021)

Mr Jayampathy Molligoda
 Non-Executive Director
(Appointed w.e.f. 18 February 2021 and ceased to be a Director w.e.f. 31 January 2022)

The Directors are classified as Independent Directors on the basis given in Banking Act Direction No. 11 of 2007 on Corporate Governance for licensed commercial banks issued by the Central Bank of Sri Lanka.

ANNUAL REPORT OF THE DIRECTORS ON THE STATE OF AFFAIRS OF BANK OF CEYLON

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 Subcommittee Reports on pages 93 to 98 of this Annual Report.

12.3 Directors' Meetings

Attendance of Directors at Board and subcommittee meetings are given on page 88 of this Annual Report.

12.4 Directors' Interests in Contracts

Directors' interests in contracts with the Bank, both direct and indirect are given on pages 120 and 121. These interests have been declared at meetings of the Board of Directors. Except for the contracts given therein, the Directors do not have any direct or indirect interest in other contracts or proposed contracts with the Bank.

12.5 Directors' Interests in Debentures Issued by the Bank / Group

There were no debentures registered in the name of any Director.

12.6 Directors' Allowances/ Fees

The allowances/ fees payable to the Board of Directors are made in terms of the provisions/ contents in the Public Enterprises Circular No. PED 3/2015 dated 17 June 2015 and PED 01/2020 dated 27 January 2020 issued by the Department of Public Enterprises of the Ministry of Finance and Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. The Directors' remuneration in respect of the Bank and the Group for the financial year ended 31 December 2021 are given in Note 17 on page 165.

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 99 to 113 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 page 93 of this Annual Report. The Directors are satisfied with the effectiveness of the system of internal controls during the year under review and up to the date of the Annual Report and the Financial Statements.

The Board has issued a statement on the internal control mechanism of the Bank as per Direction No. 3 (8) (ii) (b) of Banking Act Direction No. 11 of 2007 on Corporate Governance for licensed commercial banks. The above report is given on pages 122 and 123 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 124 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 82 to 92 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 optimize their contribution towards the achievement of corporate objectives. The Bank's human resource management policies and practices are detailed in the section titled "Our Employees" on pages 68 to 72 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.

Details of the Bank's compliance with laws and regulations are given on pages 317 to 356 under the section titled "Compliance Annexes" which forms an integral part of this Report.

17. Outstanding Litigation

In the opinion of the Directors and as confirmed by the Bank's lawyers, the litigation currently pending against the Bank will not have a material impact on the reported financial results or future operations of the Bank.

18. Statutory Payments

The Board confirms that all statutory payments due to the Government and in relation to employees have been made on time.

19. Environmental Protection

The Bank has not engaged in any activity, which has caused detriment to the environment. Further, precautions taken to protect the environment are given in the section titled “Country and Community” on page 74 to 77.

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

24 March 2022
Colombo

DIRECTORS' INTEREST IN CONTRACTS

Related party disclosures as required by the Sri Lanka Accounting Standard - LKAS 24 on "Related Party Disclosures" are detailed in Note 61 to the Financial Statements.

In addition, the transactions that have been carried out in the ordinary course of business in an arm's length basis with entities where the Chairman or a Director of the Bank is the Chairman or a Director of such entities, are detailed below:

Company	Relationship	Nature of Transactions	Limit '000	Balance/ Amount outstanding as at 31.12.2021 '000	Balance/ Amount outstanding as at 31.12.2020 '000
Directors' Interest In Contracts					
Mr Kanchana Ratwatte (appointed as the Chairman of Bank of Ceylon w.e.f. 02 January 2020)					
First Guardian Equities	Director	Current accounts	50,000	22,047	2,692
Hotels Colombo (1963) Limited (w.e.f. 24 February 2020)	Chairman	Current accounts		2,392	888
		Time Deposits		81,585	191,045
		Overdrafts	15,000	7,596	7,844
		Loans		192,562	112,210
		Other receivables		89,895	66,970
Property Development PLC (w.e.f. 25 February 2020)	Chairman	Current accounts		14,435	20,470
		Time Deposits		2,763,560	2,543,760
		Security sold under repurchase agreements		528,500	48,200
Merchant Bank of Sri Lanka & Finance PLC (MBSL) (w.e.f. 30 September 2020)	Chairman	Current accounts		361,444	248,579
		Time Deposits		28	27
		Overdrafts	283,000	159,014	126,665
		Loans	1,500,000	389,785	1,370,535
BOC Property Development and Management (Pvt) Limited (w.e.f. 24 February 2020)	Chairman	Current accounts		3,485	6,750
		Time Deposits		811,900	1,220,300
		Security sold under repurchase agreements		38,000	24,600
		Debenture		250,000	-
Bank of Ceylon (UK) Limited (w.e.f. 03 July 2020)	Chairman	Current accounts		5,288	5,334
		Savings accounts		26	24
		Nostro accounts		USD 1,446	USD 1,502
				*289,826	*280,032
				GBP 263	GBP 271
				*71,038	*68,925
				EURO 90	EURO 128
				*20,324	*29,448
		Placements		USD 8,000	USD 8,000
				*1,603,470	*1,491,242
				EURO 250	EURO 500
		*56,715	*114,711		
		GBP 18,100	GBP 113,950		
		*4,897,782	*28,983,638		

Company	Relationship	Nature of Transactions	Limit '000	Balance/ Amount outstanding as at 31.12.2021 '000	Balance/ Amount outstanding as at 31.12.2020 '000
Mr G H Wijayawardhana (appointed as a Director of the Bank of Ceylon w.e.f. 14 January 2020)					
L K Domain Registry of Sri Lanka	Founding Director	Current accounts		713	-
		Time Deposits		30,000	-
Mr A C M Fernando (appointed as a Director of the Bank of Ceylon w.e.f. 21 April 2020)					
Softlogic Finance PLC	Director	Current accounts		340	384
		Savings accounts		7,196	7,171
Mr R M P Rathnayake (appointed as a Director of Bank of Ceylon w.e.f. 28 April 2020)					
Securities and Exchange Commission of Sri Lanka	Ex-officio Director	Current accounts		36,689	49,080
		Time Deposits		641	635
Major General (Rtd) G A Chandrasiri (appointed as a Director of Bank of Ceylon w.e.f. 08 January 2021)					
Airport and Aviation Services (Pvt) Limited	Chairman	Current accounts		377,792	29,702
		Savings accounts		-	41,068
		Savings accounts		USD 308	USD 129
				*61,780	*23,873
		Time Deposits		3,237,843	7,077,722
		Time Deposits		USD 195,879	USD 191,005
				* 39,318,710	*35,431,385
		Loans	400,000	266,667	400,000
		Letter of Credit	5,000,000	2,432,000	1,358,718
		Letter of Guarantee	50,000	20,800	20,800
Mr J Molligoda (appointed as a Director of Bank of Ceylon w.e.f. 18 February 2021)					
Sri Lanka Tea Board	Chairman	Current accounts		279,658	146,291
		Savings accounts		932	-
		Time Deposits		7,844,639	5,959,806

* 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 key 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, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Board Audit Committee. Findings of the Internal Audit Division are submitted to the Board Audit Committee for review at their periodic meetings. Despite the challenges posed by the pandemic, the Internal Audit Division adopted a pragmatic approach and shifted its audit methodology to near real-time and offsite audits in addition to traditional onsite audits. This enabled the Division to ensure continuous compliance with policies / procedures

and assure the effectiveness of the internal control systems of the Bank during this challenging period.

The Board Audit Committee of the Bank reviews internal control issues identified by the Internal Audit Division, the external auditors, regulatory authorities and the management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of the same. All minutes of the Board Audit Committee meetings are forwarded to the Board. Further details of the activities undertaken by the Audit Committee of the Bank are set out in the Audit Committee Report on page 93.

- 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 international consultant. A firm of Chartered Accountants has been appointed to validate these models and the validation process is underway. The Bank has also 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 01.01.2022.

- 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. The automated solution enables the calculation of impairment provisioning under SLFRS 9 - “Financial Instruments” and facilitates the fulfilling of internal and external reporting requirements.
- The significant impact on economies, businesses, industries, households triggered by COVID 19 pandemic continued in 2021 as well. However, people and businesses took a more sensible approach to adapt to the situation with the Government led vaccination programs and adhered to advanced safety protocols. The Bank modified its business model to align with these trends while meeting applicable regulatory and other compliance requirements and consolidate a sound position operationally and financially.
- The Bank complied with the moratorium packages introduced by the Government and continuously provided relief to those affected by COVID-19 in 2021 as well. The impact of COVID-19 on Bank’s customers in risk elevated industries were also considered when assessing the impairment provisioning using the Expected Credit Loss (ECL) model under SLFRS 9 - “Financial Instruments”. The Bank revised the Economic Factor Adjustment (EFA) used in calculating expected loss by incorporating the current economic condition to the EFA.

- The changes of the external environment such as downgrading of sovereign rating to “CC” from “CCC” and the resulting revision of the Probability of Default (PD) ratio linked to country rating were also considered when making provisions for applicable financial instruments.
- 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 2021 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.

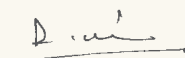
By order of the Board



Chairman - Audit Committee



Chairman



Director

Colombo, Sri Lanka
 03 March 2022

INDEPENDENT ASSURANCE REPORT



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය } BAN/B/BOC/IC/2021
எனது இல. }
My No. }

ඔබේ අංකය }
உமது இல. }
Your No. }

දිනය } 22 March 2022
திகதி }
Date }

The Chairman
Bank of Ceylon

Assurance Report of the Auditor General to the Board of Directors on the Directors' Statement on Internal Control of Bank of Ceylon

Introduction

This report is to provide assurance on the Directors' Statement on Internal Control over Financial Reporting ("Statement") of Bank of Ceylon included in the annual report for the year ended 31 December 2021.

Management's Responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued in compliance with the Section 3(8) (ii) (b) of the Banking Act Direction No. 11 of 2007, by the Institute of Chartered Accountants of Sri Lanka.

My Responsibility and Compliance with SLSAE 3050 (Revised)

My responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Bank of Ceylon.

I conducted my engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3050 (Revised), Assurance Report for Banks on Directors' Statement on Internal Control, issued by the institute of Chartered Accountants of Sri Lanka. This Standard required that I plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control. For purpose of this engagement, I am not responsible for updating or reissuing any reports, nor have I, in the course of this engagement, performed an audit or review of the financial information.

Summary of Work Performed

I conducted my engagement to assess whether the Statement is supported by the documentation prepared by or for Directors; and appropriately reflected the process the Directors have adopted in reviewing the system of internal control over financial reporting of the Bank.

The procedures performed were limited primarily to inquiries of Bank personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3050 (Revised) does not require me to consider whether the Statement covers all risk and controls, or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050 (Revised)

also does not require me to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on my judgment, 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



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 2021 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 2021 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 2021.

Going Concern

The Directors are of the view that the Bank and the Group have adequate resources to continue in business in the foreseeable future. Accordingly, they have continued to adopt the going concern basis in preparing the Financial Statements.

Internal Controls, Risk Management and Compliance

The Directors are also responsible for the system of internal financial controls and risk management and place considerable importance on maintaining a strong control environment to protect and safeguard the Bank's assets and prevent fraud and mismanagement.

Whilst inherent and residual risks cannot be completely eliminated, the Bank endeavors to minimise them by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and practiced within predetermined procedures and limits/ boundaries.

A report by the Directors on the Bank's internal control mechanism, confirming that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, is given on page 122 and 123 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 93 to 95 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 126 to 129 of this Annual Report. The Auditor General's certification on the effectiveness of the Bank's internal control mechanism is given on page 124 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

24 March 2022
Colombo

REPORT OF THE AUDITOR GENERAL



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

} BAN/B/BOC/FA/2021

ඔබේ අංකය
உமது இல.
Your No.

}

දිනය
திகதி
Date

} 28 February 2022

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 2021 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 2021 comprising the statement of financial position as at 31 December 2021 and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the Financial Statements, including a

summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. The Bank has been exempted from the provisions of Part II of the Finance Act, No. 38 of 1971 by an Order of then Minister of Finance published in the Government Gazette No. 715 of 14 May 1992 by virtue of powers vested in him by Sections 5(1) of the said Finance Act. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank and the Group as at 31 December 2021, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAUSS). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Key Audit Matters

Key Audit Matters are those matters that, in my professional judgment, are of most significance in my audit of the Financial Statements of the Bank and the Consolidated Financial Statements of the Group of the current period. These matters were addressed in the context of my audit of the Financial Statements of the Bank and the Consolidated Financial Statements of the Group as a whole, and in forming my audit opinion thereon, and I do not provide a separate opinion on these matters.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව



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இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை.



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www.naosl.gov.lk

Key audit matter	How our audit addressed the key audit matter
<p>Impairment allowance on financial assets carried at amortised cost</p> <p>Impairment allowance on financial assets carried at amortised cost as stated in Notes 28 and 29 respectively determined by management in accordance with the accounting policies described in Notes 4.4.11 and 28.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> • Materiality of the reported impairment allowance which involved complex calculations; and • Degree of management judgement, significance of assumptions and level of estimation uncertainty associated with its measurement. <p>Key areas of significant judgements, estimates and assumptions used by management in the assessment of the impairment allowance included the following;</p> <ul style="list-style-type: none"> • management overlays to incorporate the probable ongoing impacts of COVID-19 and related industry responses such as Government stimulus packages and debt moratorium relief measures granted by the Group; <p>The use of forward-looking information to reflect current and anticipated future external factors, including judgments related to the ongoing impact of COVID-19, both in the multiple economic scenarios and the probability weighting determined for each of these scenarios.</p>	<p>I assessed the alignment of the Group's impairment allowance computations and underlying methodology including consideration of COVID 19 impacts and related industry responses with its accounting policies, based on the best available information up to the date of our report. Our audit procedures included amongst others the following:</p> <ul style="list-style-type: none"> • I evaluated the design, implementation, and operating effectiveness of controls over estimation of impairment, which included assessing the level of oversight, review and approval of provision for credit impairment policies and procedures by the Board and management. • I checked the completeness and accuracy of the underlying data used in the impairment computation by agreeing details to relevant source documents and accounting records of the Group. We also checked the underlying calculations. • In addition to the above, the following procedures were performed: <p>For loans and advances assessed on an individual basis for impairment:</p> <ul style="list-style-type: none"> - I assessed the reasonableness and timeliness of Management's internal assessments of credit quality based on the borrower's particular circumstances - I evaluated the reasonableness of key inputs used in the impairment allowance made with particular focus on the ongoing impact of COVID-19. Such evaluations were carried out considering the value and timing of cash flow forecasts, elevated risk industries, status of recovery action and collateral values. <p>For financial assets assessed on a collective basis for impairment:</p> <ul style="list-style-type: none"> - I tested the key calculations used in the impairment allowance. - I assessed whether judgements, estimates and assumptions used by the Management in the underlying methodology and the management overlays were reasonable. Our 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 statements disclosures set out in notes 3.3.8.4, 4.4.11, 14, 28 and 29.

REPORT OF THE AUDITOR GENERAL

Key audit matter	How our audit addressed the key audit matter	
<p>Information Technology (IT) systems and controls over financial reporting</p> <p>A significant part of the Group's financial reporting process is primarily 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.</p> <p>Accordingly, IT systems and related internal controls over financial reporting was considered a key audit matter.</p>	<p>My audit procedures included the following:</p> <ul style="list-style-type: none"> - I obtained an understanding of the internal control environment of the processes relating to financial reporting and related disclosures. - I identified and test checked relevant controls of key IT systems related to the Group's financial reporting process. - I involved specialised resources to evaluate the design and operating effectiveness of IT controls, including those related to user access and change management. - I checked key source data of the reports used to generate key disclosures for accuracy and completeness, including review of the general ledger reconciliations. - I also obtained a high level understanding, primarily through inquiry, of the cybersecurity risks affecting the Group and the actions taken to address these risks. Further, I checked changes if any have been made to security monitoring procedures, given the increase use of remote working access including the Group's monitoring on remote working activities. 	
<p>1.4 Other information included in the Group's 2021 Annual Report</p>	<p>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.</p>	<p>the Group or to cease operations, or has no realistic alternative but to do so.</p>
<p>The other information comprises the information included in the Group's 2021 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.</p>	<p>1.5 Responsibilities of Management and Those Charged with Governance for the Financial Statements</p>	<p>Those charged with governance are responsible for overseeing the Bank's and the Group's financial reporting process.</p>
<p>My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.</p>	<p>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.</p>	<p>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.</p>
<p>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.</p>	<p>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</p>	<p>1.6 Auditor's Responsibilities for the Audit of the Financial Statements</p>
<p>When I read the Bank's 2021 Annual Report, if I conclude that there are material misstatements therein, I am</p>		<p>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</p>

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 Company'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.

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

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December	Note	Bank			Group		
		2021 LKR '000	2020 LKR '000	Change %	2021 LKR '000	2020 LKR '000	Change %
Total income	7	290,362,494	247,163,965	17.5	297,620,853	252,756,030	17.8
Interest income		260,513,393	226,310,574	15.1	266,565,137	231,454,401	15.2
Less : Interest expenses		149,261,452	151,534,708	(1.5)	151,575,510	154,251,160	(1.7)
Net interest income	8	111,251,941	74,775,866	48.8	114,989,627	77,203,241	48.9
Fee and commission income		17,649,434	14,261,148	23.8	17,931,406	14,500,865	23.7
Less : Fee and commission expenses		3,470,032	2,302,057	50.7	3,508,619	2,324,128	51.0
Net fee and commission income	9	14,179,402	11,959,091	18.6	14,422,787	12,176,737	18.4
Net gains/ (losses) from trading	10	4,742,396	2,627,620	80.5	4,813,011	2,643,463	82.1
Net fair value gains/ (losses) from financial instruments at fair value through profit or loss	11	1,347,097	928,234	45.1	1,309,021	991,525	32.0
Net gains/ (losses) from derecognition of financial assets	12	393,920	482,684	(18.4)	466,392	492,996	(5.4)
Net other operating income	13	5,716,254	2,553,705	123.8	6,535,886	2,672,780	144.5
Total operating income		137,631,010	93,327,200	47.5	142,536,724	96,180,742	48.2
Less : Impairment charge/ (reversal) for loans and other losses	14	43,733,731	31,232,178	40.0	43,661,965	32,032,073	36.3
Net operating income		93,897,279	62,095,022	51.2	98,874,759	64,148,669	54.1
Less : Operating expenses							
Personnel expenses	15	24,981,940	18,190,480	37.3	26,925,255	20,050,612	34.3
Depreciation and amortisation expenses	16	4,146,256	4,254,528	(2.5)	4,239,633	4,391,152	(3.5)
Other expenses	17	12,552,393	10,639,665	18.0	13,866,816	12,080,058	14.8
Total operating expenses		41,680,589	33,084,673	26.0	45,031,704	36,521,822	23.3
Operating profit/ (loss) before Taxes on financial services		52,216,690	29,010,349	80.0	53,843,055	27,626,847	94.9
Less : Taxes on financial services	18.1	9,027,173	5,458,468	65.4	9,339,679	5,463,182	71.0
Operating profit/ (loss) after Taxes on financial services		43,189,517	23,551,881	83.4	44,503,376	22,163,665	100.8
Share of profits/ (losses) of associate companies, net of tax	19	-	-	-	133,677	82,488	62.1
Profit/ (loss) before income tax		43,189,517	23,551,881	83.4	44,637,053	22,246,153	100.7
Less : Income tax expense	18.2	5,599,410	5,786,749	(3.2)	5,953,659	5,938,747	0.3
Profit/ (loss) for the year		37,590,107	17,765,132	111.6	38,683,394	16,307,406	137.2
Profit attributable to :							
Equity holder of the Bank		37,590,107	17,765,132	111.6	38,490,392	16,842,514	128.5
Non-controlling interest		-	-	-	193,002	(535,108)	(136.1)
Profit/ (loss) for the year		37,590,107	17,765,132	111.6	38,683,394	16,307,406	137.2
Earnings per share and Dividend per share	20						
Basic earnings per share (LKR)		1,503.60	710.61	111.6	1,539.62	673.70	128.5
Diluted earnings per share (LKR)		1,503.60	710.61	111.6	1,539.62	673.70	128.5
Dividend per share (LKR)		73.86	63.86	15.7	73.86	63.86	15.7

The Notes to the Financial Statements from pages 140 to 315 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Bank			Group		
	2021 LKR '000	2020 LKR '000	Change %	2021 LKR '000	2020 LKR '000	Change %
Profit/ (loss) for the year	37,590,107	17,765,132	111.6	38,683,394	16,307,406	137.2
Items that will be reclassified to the profit or loss						
Exchange differences on translation of foreign operations	794,531	11,571	6,766.6	1,126,180	233,259	382.8
Net gains / (losses) on Cash Flow Hedge instruments	3,239,266	-	-	3,239,266	-	-
Net gains/ (losses) on investments in debt instruments measured at fair value through other comprehensive income (FVTOCI)	(1,246,474)	114,650	(1,187.2)	(1,256,480)	137,205	(1,015.8)
Net (gains)/ losses on investment in financial assets at FVTOCI reclassification to profit or loss	(44,002)	(3,521)	1,149.7	(44,002)	(3,521)	1,149.7
Deferred tax effect on above	321,430	(19,946)	(1,711.5)	321,430	(19,946)	(1,711.5)
Share of other comprehensive income of Associate companies, net of tax	-	-	-	11,376	(19,439)	(158.5)
Total items that will be reclassified to the profit or loss	3,064,751	102,754	2,882.6	3,397,770	327,558	937.3
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)	(187,320)	(271,739)	(31.1)	(155,320)	(805)	19,194.4
Deferred tax effect on above	40,437	(91,689)	(144.1)	40,437	(91,689)	(144.1)
Changes in revaluation surplus/ (deficit)	(284,831)	6,932,984	(104.1)	345,441	7,774,192	(95.6)
Deferred tax effect on above	979,181	(1,941,235)	(150.4)	1,144,315	(2,176,773)	(152.6)
Net actuarial gains/ (losses) on defined benefit plans	6,769,360	(9,530,481)	(171.0)	6,834,355	(9,582,774)	(171.3)
Deferred tax effect on above	(2,024,826)	3,007,330	(167.3)	(2,040,425)	3,020,118	(167.6)
Total items that will not be reclassified to the profit or loss	5,292,001	(1,894,830)	(379.3)	6,168,803	(1,057,731)	(683.2)
Other comprehensive income for the year, net of tax	8,356,752	(1,792,076)	(566.3)	9,566,573	(730,173)	(1,410.2)
Total comprehensive income for the year	45,946,859	15,973,056	187.7	48,249,967	15,577,233	209.7
Attributable to:						
Equity holder of the Bank	45,946,859	15,973,056	187.7	48,028,306	16,074,875	198.8
Non-controlling interest	-	-	-	221,661	(497,642)	(144.5)
Total comprehensive income for the year	45,946,859	15,973,056	187.7	48,249,967	15,577,233	209.7

The Notes to the Financial Statements from pages 140 to 315 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Bank			Group		
		2021 LKR '000	2020 LKR '000	Change %	2021 LKR '000	2020 LKR '000	Change %
Assets							
Cash and cash equivalents	22	82,647,406	84,416,624	(2.1)	82,313,908	83,198,445	(1.1)
Balances with Central Banks	23	74,121,781	33,351,852	122.2	74,121,781	33,351,852	122.2
Placements with banks	24	4,957,417	27,615,851	(82.0)	5,342,369	27,913,969	(80.9)
Securities purchased under resale agreements	25	2,074,474	2,001,047	3.7	2,976,664	3,822,312	(22.1)
Derivative financial instruments	26	4,342,531	548,926	691.1	4,342,531	548,926	691.1
Financial assets recognised through profit or loss - measured at fair value	27	9,230,022	9,856,220	(6.4)	9,640,813	10,869,471	(11.3)
Financial assets at amortised cost							
- loans and advances	28	2,413,762,291	1,988,409,007	21.4	2,446,330,329	2,018,393,730	21.2
- debt and other instruments	29	1,082,179,876	724,390,172	49.4	1,082,837,662	725,579,585	49.2
Financial assets measured at fair value through OCI	30	18,302,556	15,362,480	19.1	22,879,810	17,913,778	27.7
Investment in subsidiary companies	31	8,181,138	6,513,048	25.6	-	-	-
Investment in associate companies	32	92,988	92,988	-	595,531	510,084	16.8
Investment properties	33	2,414,640	2,534,118	(4.7)	107,704	114,370	(5.8)
Property, Plant and Equipment	34	32,757,485	33,366,003	(1.8)	46,944,191	47,418,620	(1.0)
Right of Use Assets/ Leasehold properties	35	3,137,955	3,208,879	(2.2)	2,825,719	2,643,686	6.9
Intangible assets	36	1,039,985	1,020,881	1.9	1,214,591	1,228,597	(1.1)
Deferred tax assets	37	2,152,712	-	-	2,213,847	76,873	2,779.9
Other assets	38	61,888,586	50,292,999	23.1	63,262,306	51,189,477	23.6
Total assets		3,803,283,843	2,982,981,095	27.5	3,847,949,756	3,024,773,775	27.2
Liabilities							
Due to banks	39	17,936,070	2,402,043	646.7	18,646,339	2,628,434	609.4
Securities sold under repurchase agreements	40	162,156,413	57,106,652	184.0	161,668,335	57,697,780	180.2
Derivative financial instruments	41	380,328	102,182	272.2	380,328	102,182	272.2
Financial liabilities at amortised cost							
- due to depositors	42	2,866,894,010	2,474,775,488	15.8	2,886,237,094	2,493,110,291	15.8
- other borrowings	43	444,107,977	180,884,127	145.5	447,875,002	185,102,055	142.0
Debt securities issued	44	-	-	-	2,107,182	2,107,493	-
Current tax liabilities	45	647,993	591,723	9.5	978,532	775,259	26.2
Deferred tax liabilities	37	-	923,462	(100.0)	2,153,309	3,305,797	(34.9)
Insurance provision - Life	46	-	-	-	413,743	498,767	(17.0)
Insurance provision - Non life	46	-	-	-	526,017	488,784	7.6
Other liabilities	47	46,042,365	44,898,628	2.5	47,461,127	45,372,722	4.6
Subordinated liabilities	49	64,358,855	64,637,407	(0.4)	64,105,970	64,627,397	(0.8)
Total liabilities		3,602,524,011	2,826,321,712	27.5	3,632,552,978	2,855,816,961	27.2

As at 31 December	Note	Bank			Group		
		2021 LKR '000	2020 LKR '000	Change %	2021 LKR '000	2020 LKR '000	Change %
Equity							
Share capital	50	25,000,000	25,000,000	-	25,000,000	25,000,000	-
Permanent reserve fund	51	14,491,000	13,739,000	5.5	14,491,000	13,739,000	5.5
Retained earnings	52	136,739,177	96,983,948	41.0	138,104,222	97,463,266	41.7
Cashflow hedge reserve	53	3,239,266	-	-	3,239,266	-	-
Other reserves	54	21,290,389	20,936,435	1.7	32,972,844	31,486,761	4.7
Total equity attributable to equity holder of the Bank		200,759,832	156,659,383	28.2	213,807,332	167,689,027	27.5
Non-controlling interest	55	-	-	-	1,589,446	1,267,787	25.4
Total equity		200,759,832	156,659,383	28.2	215,396,778	168,956,814	27.5
Total liabilities and equity		3,803,283,843	2,982,981,095	27.5	3,847,949,756	3,024,773,775	27.2
Contingent liabilities and commitments	57	879,356,475	600,210,687	46.5	897,771,496	619,669,887	44.9
Net assets value per share (LKR)	50	8,030.39	6,266.38	28.2	8,552.29	6,707.56	27.5

The Notes to the Financial Statements from pages 140 to 315 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 2021 and its profit for the year then ended.



W P Russel Fonseka
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,



Kanchana Ratwatte
Chairman



A C M Fernando
Director



K E D Sumanasiri
General Manager

24 February 2022
Colombo

STATEMENT OF CHANGES IN EQUITY

Bank

	Note	Share Capital LKR ' 000	Permanent Reserve Fund LKR ' 000	Cashflow hedge reserve LKR ' 000
Balance as at 1 January 2020		25,000,000	13,383,000	-
Total comprehensive income for the year				
Profit for the year		-	-	-
Other comprehensive income, net of tax		-	-	-
Total comprehensive income for the year		-	-	-
Transactions with equity holder, recognised directly in equity				
Dividends for 2020	20.3	-	-	-
Transfers to permanent reserve fund	51	-	356,000	-
Revaluation surplus of disposed property		-	-	-
Total transactions with equity holder		-	356,000	-
Balance as at 31 December 2020		25,000,000	13,739,000	-
Balance as at 1 January 2021				
Balance as at 1 January 2021		25,000,000	13,739,000	-
Total comprehensive income for the year				
Profit for the year		-	-	-
Other comprehensive income, net of tax		-	-	3,239,266
Total comprehensive income for the year		-	-	3,239,266
Transactions with equity holder, recognised directly in equity				
Dividends for 2021	20.3	-	-	-
Transfers to permanent reserve fund	51	-	752,000	-
Revaluation surplus of disposed property		-	-	-
Total transactions with equity holder		-	752,000	-
Balance as at 31 December 2021		25,000,000	14,491,000	3,239,266

The Notes to the Financial Statements from pages 140 to 315 form an integral part of these Financial Statements.

Other Reserves				
FVOCI reserve	Other Reserves	Revaluation Reserve	Retained Earnings	Total Equity
LKR ' 000	LKR ' 000	LKR ' 000	LKR ' 000	LKR ' 000
1,976,601	2,539,318	11,694,338	87,689,480	142,282,737
-	-	-	17,765,132	17,765,132
(272,245)	11,571	4,991,749	(6,523,151)	(1,792,076)
(272,245)	11,571	4,991,749	11,241,981	15,973,056
-	-	-	(1,596,410)	(1,596,410)
-	-	-	(356,000)	-
-	-	(4,897)	4,897	-
-	-	(4,897)	(1,947,513)	(1,596,410)
1,704,356	2,550,889	16,681,190	96,983,948	156,659,383
1,704,356	2,550,889	16,681,190	96,983,948	156,659,383
-	-	-	37,590,107	37,590,107
(1,115,929)	794,531	694,350	4,744,534	8,356,752
(1,115,929)	794,531	694,350	42,334,641	45,946,859
-	-	-	(1,846,410)	(1,846,410)
-	-	-	(752,000)	-
-	-	(18,998)	18,998	-
-	-	(18,998)	(2,579,412)	(1,846,410)
588,427	3,345,420	17,356,542	136,739,177	200,759,832

STATEMENT OF CHANGES IN EQUITY

Group	Note	Share	Permanent
		Capital	Reserve Fund
		LKR ' 000	LKR ' 000
Balance as at 1 January 2020		25,000,000	13,383,000
Total comprehensive income for the year			
Profit for the year		-	-
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		-	-
Transactions with equity holders, recognised directly in equity			
Dividends for 2020	20.3	-	-
Subsidiary dividends to non-controlling interest		-	-
Transfers to permanent reserve fund	51	-	356,000
Revaluation surplus of disposed property		-	-
Total transactions with equity holders		-	356,000
Balance as at 31 December 2020		25,000,000	13,739,000
Balance as at 1 January 2021		25,000,000	13,739,000
Total comprehensive income for the year			
Profit for the year		-	-
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		-	-
Transactions with equity holders, recognised directly in equity			
Dividends for 2021	20.3	-	-
Subsidiary dividends to non-controlling interest		-	-
Disposal of subsidiaries		-	-
Transfers to permanent reserve fund	51	-	752,000
Revaluation surplus of disposed property		-	-
Change of non controlling interest		-	-
Reversal of unclaimed dividend		-	-
Total transactions with equity holders		-	752,000
Balance as at 31 December 2021		25,000,000	14,491,000

The Notes to the Financial Statements from pages 140 to 315 form an integral part of these Financial Statements.

Attributable to equity holder of the Bank

Cashflow hedge reserve	Other Reserves			Retained Earnings	Non- Controlling Interest	Total Equity
	FVOCI reserve	Other Reserves	Revaluation Reserve			
LKR ' 000	LKR ' 000	LKR ' 000	LKR ' 000	LKR ' 000	LKR ' 000	LKR ' 000
-	2,571,824	3,827,349	19,287,824	89,140,565	1,785,087	154,995,649
-	-	-	-	16,842,514	(535,108)	16,307,406
-	1,324	233,259	5,570,078	(6,572,300)	37,466	(730,173)
-	1,324	233,259	5,570,078	10,270,214	(497,642)	15,577,233
-	-	-	-	(1,596,410)	-	(1,596,410)
-	-	-	-	-	(19,658)	(19,658)
-	-	-	-	(356,000)	-	-
-	-	-	(4,897)	4,897	-	-
-	-	-	(4,897)	(1,947,513)	(19,658)	(1,616,068)
-	2,573,148	4,060,608	24,853,005	97,463,266	1,267,787	168,956,814
	2,573,148	4,060,608	24,853,005	97,463,266	1,267,787	168,956,814
-	-	-	-	38,490,392	193,002	38,683,394
3,239,266	(1,089,736)	1,126,180	1,468,637	4,793,566	28,660	9,566,573
3,239,266	(1,089,736)	1,126,180	1,468,637	43,283,958	221,662	48,249,967
-	-	-	-	(1,846,410)	-	(1,846,410)
-	-	-	-	-	(10,280)	(10,280)
-	-	-	-	(64,923)	(6,142)	(71,065)
-	-	-	-	(752,000)	-	-
-	-	-	(18,998)	18,998	-	-
-	-	-	-	-	116,419	116,419
-	-	-	-	1,333	-	1,333
-	-	-	(18,998)	(2,643,002)	99,997	(1,810,003)
3,239,266	1,483,412	5,186,788	26,302,644	138,104,222	1,589,446	215,396,778

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	Bank		Group	
		2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Cash flows from operating activities					
Profit before income tax		43,189,517	23,551,881	44,637,053	22,246,153
Adjustments for:					
Net interest income	8	(111,251,941)	(74,775,866)	(114,989,627)	(77,203,241)
Dividend income	10/13	(302,564)	(403,351)	(391,238)	(404,776)
Dividends from subsidiaries and associates	13	(394,454)	(434,475)	-	-
Share of (profits) / losses of associate companies, net of tax	19	-	-	(133,677)	(82,488)
Change in operating assets	56.1	(495,708,888)	(412,923,813)	(497,153,928)	(408,051,752)
Change in operating liabilities	56.2	535,337,949	496,722,445	535,950,023	497,455,395
Other non-cash items included in profit before tax	56.3	46,351,388	39,963,871	46,385,644	40,978,788
Other net gains from investing activities		(1,741,017)	(1,410,918)	(1,775,413)	(1,484,521)
		15,479,990	70,289,774	12,528,837	73,453,558
Benefit paid from defined benefit plans		(8,890,151)	(8,590,729)	(8,897,006)	(8,625,429)
Interest received		193,501,226	168,040,640	199,239,746	172,733,898
Interest paid		(136,973,421)	(128,555,512)	(138,568,991)	(130,549,871)
Dividends received		75,792	73,023	126,157	73,245
Net cash from / (used in) operating activities before income tax		63,193,436	101,257,196	64,428,743	107,085,401
Income tax paid	45	(8,166,811)	(5,158,415)	(8,399,520)	(5,361,254)
Net cash from / (used in) operating activities		55,026,625	96,098,781	56,029,223	101,724,147
Cash flows from investing activities					
Net increase in financial investments at amortised cost		(345,016,186)	(145,229,377)	(344,484,560)	(145,189,269)
Net increase in financial assets measured at fair value through OCI		(4,346,097)	(935,063)	(6,339,860)	(412,408)
Investment in subsidiary companies		(1,668,090)	-	-	-
Proceeds from sale of subsidiary companies		-	-	180,550	-
Addition to investment properties		-	(3,007)	-	-
Purchase of Property, Plant and Equipment		(1,771,198)	(2,946,477)	(1,900,544)	(3,059,995)
Purchase of intangible assets		(471,365)	(367,195)	(471,365)	(401,078)
Proceeds from sale of Property, Plant and Equipment		21,998	37,635	102,831	50,688
Dividends received		621,226	764,802	265,081	331,531
Interest received		53,951,314	44,988,953	54,264,536	45,439,524
Net cash from/ (used in) investing activities		(298,678,398)	(103,689,729)	(298,383,331)	(103,241,007)

For the year ended 31 December	Note	Bank		Group	
		2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Cash flows from financing activities					
Net increase in other borrowings		245,235,448	28,159,729	245,076,637	21,685,842
Proceeds from issue of shares		-	-	233,902	-
Proceeds from issue of debentures/ capital bonds		8,750,000	15,000,000	8,500,000	15,000,000
Payments on redemption of debentures		(9,232,254)	(4,779,196)	(9,222,244)	(4,779,196)
Dividends paid to Equity holder of the Bank		(1,846,410)	(1,596,410)	(1,846,410)	(1,596,410)
Dividends paid to non-controlling interest		-	-	(10,280)	(19,658)
Interest payments on borrowings and debt securities		(16,443,988)	(8,738,923)	(17,165,671)	(9,461,333)
Net cash from/ (used in) financing activities		226,462,796	28,045,200	225,565,934	20,829,245
Net increase / (decrease) in cash and cash equivalents during the year					
		(17,188,977)	20,454,252	(16,788,174)	19,312,385
Cash and cash equivalents at the beginning of the year		83,978,210	63,523,958	82,533,640	63,221,255
Cash and cash equivalents at the end of the year		66,789,233	83,978,210	65,745,466	82,533,640
Analysis of cash and cash equivalents					
Cash and cash equivalents	22	82,647,406	84,416,624	82,313,908	83,198,445
Bank overdrafts	39	(15,858,173)	(438,414)	(16,568,442)	(664,805)
Cash and cash equivalents at the end of the year		66,789,233	83,978,210	65,745,466	82,533,640

The Notes to the Financial Statements from pages 140 to 315 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1.0 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 2021 was 8,337 (2020- 8,479).

1.2 Consolidated Financial Statements

The Consolidated Financial Statements are prepared as at and for the year ended 31 December 2021 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 PLC	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, micro-financing, 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.

During the year Koladeniya Hydropower (Private) Limited was disposed and necessary adjustments have been incorporated to the Financial Statements of Group in order to identify the disposal. Merchant Bank of Sri Lanka & Finance PLC has issued LKR 2.2 billion worth of new ordinary shares under a right issue. The Bank and its fully owned subsidiary BOC Property Development & Management (Private) Limited invested in this share issue and the Bank's shareholding increased to 84.5%. 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 2021 were authorised for issue on 24 February 2022 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 of 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 and the Companies Act No. 07 of 2007. The Group has prepared Financial Statements which comply with SLFRSs applicable for the year ended 31 December 2021, together with the comparative year data as at and for the year ended 31 December 2020, 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 (Note 26 and 41)
- Financial assets recognised through profit or loss - measured at fair value (Note 27)
- Financial assets measured at fair value through OCI (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

NOTES TO THE FINANCIAL STATEMENTS

("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 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 Flow

The Statement of Cash Flow is prepared by using the "Indirect Method" in accordance with the LKAS 7- "Statement of Cash Flows" whereby the profit is adjusted to derive the cash flows from operating activities. Cash and cash equivalents comprise cash in hand, other short term highly liquid investments with maturity less than seven days from date of acquisition and bank overdrafts.

3.3.8 Use of Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Financial Statements requires management to exercise judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The judgements, estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in

which the estimates are revised and / or in future periods if the revision affects future periods too. In the process of applying the Group's accounting policies, management has made the following judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the Financial Statements. The Management considered the impact of COVID-19 in preparing the Financial Statements in line with the circulars and guidelines issued by the CBSL and the CA Sri Lanka. While the specific areas of judgement may not change, the impact of COVID-19 resulted in the application of further judgement within those areas due to the evolving nature of the pandemic and the limited recent experience of the economic and financial impacts of such an event. Further, changes to estimates were made in the measurement of Group's assets where applicable. 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. In making this assessment, the Management has considered the potential downsides that the COVID-19 pandemic could bring to the business operations of the Group. Accordingly, the Management satisfied itself that the going concern basis is appropriate.

3.3.8.2 Commitment and Contingent Liabilities

All discernible risks are accounted for in determining the amount of all known and measurable liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its considered remote that the Group will be liable to settle the possible obligation.

3.3.8.3 Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where the classification of a financial asset or liability results in it being measured at fair value, wherever possible, the fair value is determined by reference to the quoted bid or offer price in the most advantageous active market to which the Group has immediate access. An adjustment for credit risk is also incorporated into the fair value as appropriate. Fair value for a net open position that is a financial liability quoted in an active market is the current offer price, and for a financial asset the bid price, multiplied by the number of units of the instrument held or issued.

Where no active market exists for a particular asset or liability, the Group uses a valuation technique that include the use of mathematical models to arrive at the fair value, including the use of transaction prices obtained in recent arm's length transactions,

discounted cash flow analysis, option pricing models and other valuation techniques based on market conditions and risks existing at Reporting date. In doing so, fair value is estimated using a valuation technique that makes maximum use of observable market inputs and places minimal reliance upon entity-specific inputs.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises the difference between the transaction price and the fair value in Profit or Loss on initial recognition (i.e. on day one). The valuations of financial instruments are described comprehensively in Note 63. Determination of the fair value of financial instruments of the Group were not materially affected by the significant volatility in financial markets created by the COVID-19 pandemic.

3.3.8.4 Impairment Charge for Loans and Advances

The measurement of impairment charge under SLFRS 9- "Financial Instruments" requires judgement by management in identification and estimation of the amount and timing of future cash flows when determining an impairment charge for loans and advances.

Accordingly, the Group reviews its individually significant loans and advances at each Reporting date to assess whether an impairment

charge should be provided in the Statement of Profit or Loss.

In particular, the Management's judgement is required in identification and estimation of the amount and timing of future cash flows when determining the impairment loss.

In estimating these cash flows, the Group makes judgements about the borrower's financial position, the net realisable value of collateral and other related factors. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

A collective impairment provision is established for the groups of homogeneous loans and advances that are not considered individually significant and groups of loans that are individually significant but that were not found to be individually impaired. A collective assessment of impairment takes into account the data from loan portfolio (such as credit quality, levels of arrears, credit utilisation, etc.), concentrations of risk and economic data (including levels of Unemployment, Inflation, GDP growth rate and Country rating) and the Performance of different individual group.

The impairment requirements in SLFRS 9 - "Financial Instruments" are based on an Expected Credit Loss (ECL) model and it is reflected the general pattern of deterioration or improvement, in the credit quality of financial instruments. The Group calculates ECLs either on a collective or an individual basis. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition and measured under following bases:

NOTES TO THE FINANCIAL STATEMENTS

- 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 macro-economic 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 macro-economic scenarios and their probability weightings to derive the economic inputs into the ECL model.

In response to COVID-19 and the Group's expectations of economic impacts, key assumptions used in the Group's calculation of ECL have been revised. The economic scenarios and forward-looking macroeconomic assumptions underpinning the collective provision calculation are outlined in Note 4.4.11. Although the credit model inputs and assumptions, including forward looking macroeconomic assumptions, were revised in response to

the COVID-19 pandemic, the fundamental credit model mechanics and methodology underpinning the Group's calculation of ECL have remained consistent with prior periods.

The Group is focused on supporting customers who are experiencing financial difficulties because of the COVID-19 pandemic and has offered a range of industry-wide financial assistance measures including the debt moratorium initiated by the Central Bank of Sri Lanka. As per industry guidance, eligibility for the debt moratorium does not automatically result in a significant increase in credit risk (SICR) which moves an exposure from stage 1 (12-month ECL) to stage 2 (lifetime ECL). A case-by-case analysis has been conducted on the most significant exposures and only those exposures with increased credit risk has been moved to stage 2 and stage 3.

As per SLFRS 9- "Financial Instruments", the collective provision for groups of homogeneous loans is established using statistical methods or, a formula approach based on historical loss rate experience, using the statistical analysis of historical data on delinquency to estimate the amount of loss. Management applies judgement to ensure that the estimate of loss arrived at, on the basis of historical information is appropriately adjusted to reflect the economic conditions and portfolio factors as at the Reporting date. The loss rates are regularly reviewed against, actual loss experience.

It has been the Group's policy to regularly review its model in the context of actual loss experience and adjust when necessary. The accuracy of the provision depends on the model assumptions and

parameters used in determining the impairment. Details of impairment losses on loans and advances are given in Note 14.

3.3.8.5 Impairment of Investment in Subsidiaries, Other Financial Assets and Non- Financial Assets

The Group and the Bank follow the guidance of LKAS 36 - "Impairment of Assets" and SLFRS 9 - "Financial Instruments" in determining whether an investment or a financial asset is impaired. Determination and identification of impairment indicators require the Group and the Bank to evaluate duration and extent to which the fair value of an investment for a financial asset is less than its cost and the financial stability of the near term business outlook of the investment or the financial asset, considering the factors such as performance of the sector and industry, technology and operational environmental changes along with future cash flows. This process involves with significant judgement in aforesaid areas.

3.3.8.6 Defined Benefit Obligation

The cost of the defined benefit pension plans and other post employment benefit plans are determined using an actuarial valuation. An actuarial valuation involves making various assumptions determining the discount rates, expected rates of return on planned assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

In determining the appropriate discount rate, the Group considers the interest rates of Sri Lanka Government Bonds with maturities corresponding to the expected duration of the Defined Benefit

Obligation. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on inflation rate and salary increase rates of the Group. All assumptions are reviewed at each Reporting date and assumptions used in the year are given in Note 48.

3.3.8.7 Fair Value of Land and Buildings

The freehold land and buildings and the buildings on leasehold land of the Group are reflected at fair value less accumulated depreciation. The Group engaged independent valuation specialists to determine fair value of such properties in terms of the SLFRS 13 – “Fair Value Measurement”. The details of valuation of freehold land and buildings and the buildings on leasehold land are given in Note 34.

3.3.8.8 Useful Life of the Property, Plant and Equipment and Intangible Assets

The Group reviews the residual values, useful lives and methods of depreciation of Property, Plant and Equipment and intangible assets at each Reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. The details of the depreciation methods and rates used for each assets category are given in Note 34.

3.3.8.9 Classification of Investment Properties

Management is required to use its judgement to determine whether a property qualified as an investment property. A property that is held to earn rentals or for capital appreciation or both and which generates cash flows largely independently of the other assets held by the Group are accounted for as investment properties. On the other hand, properties that are used for operations or for the process of providing services or

for administration purposes and which do not directly generate cash flows as stand-alone assets are accounted as Property, Plant and Equipment.

3.3.8.10 Determination of control over investees

Subsidiaries are entities that are controlled by the Bank, control is achieved when the Bank is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect the returns of those investees through its power over the investee. The Management applies its judgements to determine the Bank controls over its investees.

3.3.8.11 Taxation

The Group is subject to income tax, Value Added Tax (VAT) and other applicable taxes.

A judgement is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exists with respect to the interpretation of the applicable tax laws at the time of preparing these Financial Statements. The details on the applicable tax rates and other information are given under Notes 4.8, 18 and 37.

The Group is subject to transfer pricing regulations and it is necessitated using management judgement to determine the impact of transfer pricing regulations. Accordingly, critical judgements and estimates were used in applying the regulations in aspects including but not limited to identifying associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism.

The current tax charge is subject to such judgements. Differences between estimated income tax charge and actual

payable may arise as a result of variances between Management's interpretation and application of tax regulation.

4. Significant Accounting Policies

The significant accounting policies applied by the Bank and the Group in preparation of its Financial Statements are included below and have been consistently applied to all periods presented in the Financial Statements of the Group and the Bank, unless otherwise indicated.

4.1 Basis of Consolidation

The Group's Financial Statements comprise consolidation of the Financial Statements of the Bank and its Subsidiaries in terms of SLFRS 10 – “Consolidated Financial Statements” and LKAS 27 – “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

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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 in to hedging arrangements with the counterparties in order to mitigate the foreign exchange risk from foreign currency transactions. According to the SLFRS 09, 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 09 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 recognized 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 recognized asset or liability). Net investment hedge (designated for the net investment in a foreign operation).

The Bank accounts the similar transactions, under hedge accounting treatment specified in the SLFRS 09 – “Financial Instruments” and were valued using forward exchange rates as of each reporting dates 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.

As explained in Note 4.4.11.7 modifications to the original terms and conditions of the loans due to COVID-19 moratorium, did not result in a derecognition of the original loans as the Group concluded that the modifications were not substantial.

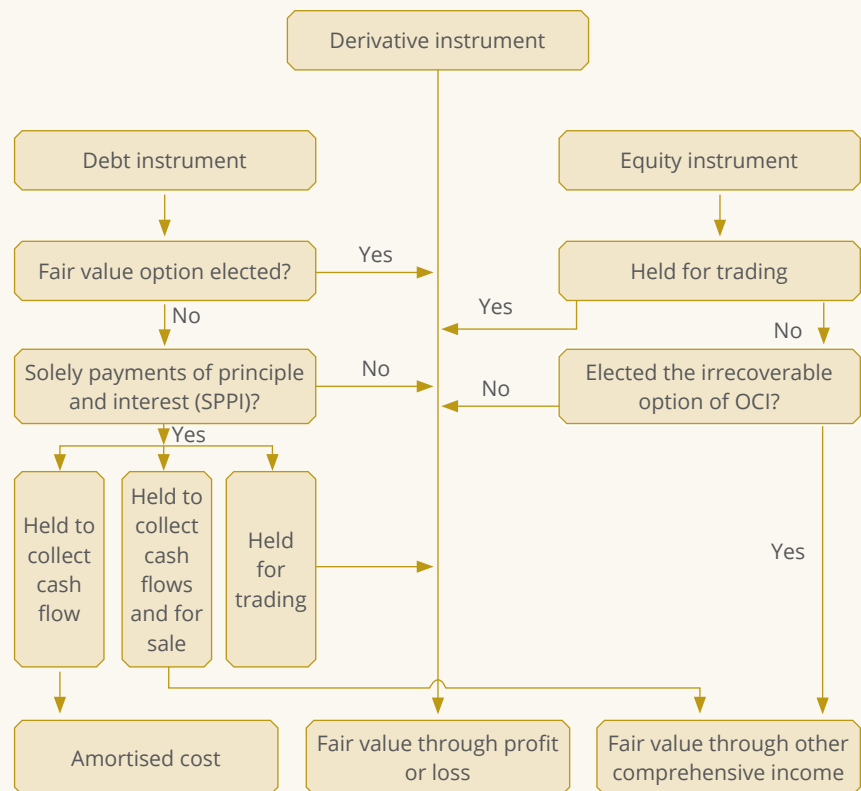
A financial liability is derecognised when the obligation under the

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.



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COVID-19 pandemic has resulted in significant volatility in the financial markets. However, the Group did not require to reclassify any of its financial assets as a result of the significant volatility created by the pandemic.

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 (Note 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 (Note 4.4.8 and 29)
- Financial assets measured at fair value through Other Comprehensive Income (Note 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 instruments (Note 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 minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. In such cases, the financial asset is required to be measured at fair value through profit and loss.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows;

- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group’s claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money

4.4.7 Financial assets measured at fair value through profit or loss

Items at fair value through profit or loss comprise:

- Items held for trading purpose;
- Items specifically designated as fair value through profit or loss on initial recognition; and
- Debt instruments with contractual terms that do not represent solely payments of principal and interest.

Financial instruments held at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in the Statement of Profit or Loss as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the Statement of Profit or Loss as they arise.

Where a financial asset is measured at fair value, a credit valuation adjustment is included to reflect the credit worthiness of the counterparty, representing the movement in fair value attributable to changes in credit risk.

4.4.7.1 Financial instruments held for trading purpose

A financial instrument is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or forms part of a portfolio of financial instruments

that are managed together and for which there is evidence of short-term profit taking, or it is a derivative not in a qualifying hedge relationship.

Trading derivatives and trading securities are classified as held for trading and recognised at fair value in the Statement of Financial Position. Changes in fair value are recognised in “Net gains / (losses) from trading” (Note 10) and “Net fair value gains / (losses) from financial instruments at fair value through profit or loss” (Note 11). Interest income from financial instruments held for trading is recorded under “Net interest income” (Note 8) while dividend income is recorded in “Net gains / (losses) from trading” (Note 10) when the right to payment has been established.

4.4.7.2 Financial instruments designated and measured at fair value through profit or loss

Upon initial recognition, financial instruments may be designated and measured at fair value through profit or loss. A financial asset may only be designated at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e. eliminates an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities on a different basis.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch or:

- If a host contract contains one or more embedded derivatives; or
- If financial assets and liabilities are both managed and their performance evaluated on a

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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 2021, there were no any financial liability designated at fair value through profit or loss.

4.4.7.3 Debt instruments with contractual terms that do not represent the solely payments of principal and interest

Financial debt instruments which are not meet solely payments of principal and interest test will be classified as fair value through profit or loss.

4.4.8 Financial assets measured at amortised cost-debt instruments

Investments in debt instruments are measured at amortised cost where they have:

- Contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- Are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using Effective Interest Rate

(EIR). The measurement of credit impairment is based on the three stage expected credit loss model described below in Note 4.4.11 Impairment of financial assets.

4.4.9 Financial assets measured at fair value through Other Comprehensive Income

4.4.9.1 Debt instruments

Investments in debt instruments are measured at fair value through Other Comprehensive Income where they have:

- Contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- Are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in Other Comprehensive Income within a separate component of equity. Impairment losses or reversals, interest revenue and foreign exchange gains and losses are recognised in Profit or Loss. Upon disposal, the cumulative gain or loss previously recognised in Other Comprehensive Income is reclassified from Other Comprehensive Income to Profit or Loss.

The measurement of credit impairment is based on the three stage expected credit loss model as applied to financial assets at amortised cost. The expected credit loss model is described below in Note 4.4.11 Impairment of financial assets.

4.4.9.2 Equity instruments

Investment in equity instruments that are neither held for trading nor contingent consideration recognised by the Group in a business combination to which SLFRS 3- "Business Combination" applies, are measured at fair value through Other Comprehensive Income, where an irrevocable election has been made by management. For portfolios where management does not consider an irrevocable election of adopting fair value through other comprehensive income, by default such investments shall be measured at fair value through profit or loss.

Upon de-recognition, 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 re-state 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.

- 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

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:

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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 Measurement of ECL

ECL is derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are not credit-impaired at the Reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- Financial assets that are credit-impaired at the Reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.
- Financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

ECL is recognised in the Statement of Profit or Loss. In the case of debt instruments measured at fair value through Other Comprehensive Income, the measurement of ECL is based on the three-stage approach as applied to financial assets at amortised cost.

4.4.11.7 Relief Measures to Assist COVID-19 Affected Businesses and Individuals by CBSL

The COVID -19 pandemic has significantly impacted the local economy and disrupted supply chains. Central Bank of Sri Lanka has provided financial assistance to disrupted industry sectors and the affected businesses / individuals in the form of a debt moratorium through licensed banks/financial institutions in the country.

CBSL issued circulars by giving extensions of debt moratorium for COVID-19 affected businesses and individuals covered under the Circular No 05 of 2020 and Circular No 08 of 2021, businesses and individuals in the tourism industry (Circular No. 10 of 2021) and concessions for lease facilities obtained by businesses and individuals in passenger transportation sector (Circular No 3 and 12 of 2021). According to the above circulars, banks were required to extend / offer moratoriums for eligible borrowers under different qualifying criteria.

The Bank has extended the tenor of the loans for eligible borrowers under different qualifying criteria.

As explained in Note 4.4.1 the Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan. However, the

Group concluded that the COVID -19 moratorium did not give rise to a substantial modification to the original terms and conditions of the moratorium eligible loans. Accordingly, the Group continued to recognize the moratorium eligible loans at the original EIR of the loans while recognizing a modification loss by discounting the revised cash flows of the loan at the original EIR.

The total modification loss has been recognised under interest income in Note 8 to the Financial Statements. Further, with the view of meeting the challenges faced by businesses and individuals due to the third wave of COVID-19, CBSL directed banks to extend the debt moratorium to such businesses and individuals for a further period of six months, nine months etc. Repayment period of the new loan shall be two years in general, however may vary based on the terms and conditions agreed with the borrower. The banks were allowed to recover interest at the original EIR during the moratorium period and therefore did not recognise any modification loss on account of the third phase of the COVID-19 moratorium.

The granting of the moratorium is directly related to the cash flow difficulties generated by the occurrence of the COVID-19 pandemic. However, it did not lead to an automatic transfer of these credit facilities in to stage to nor in to stage 3. A case-by-case analysis has been conducted on the most significant exposures and only those exposures with increased credit risk has been moved to stage 2 and stage 3. Further the exposures which are not individually significant has been moved to stage 2 based on the industry risk of the underlying borrowers.

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.

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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 15% (2020– 15%) VAT 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.

In terms of the draft bill to amend the Value Added Tax Act, No. 14 of 2002, the VAT rate will be increased from 15% to 18% on

supply of financial services with effect from 1 January 2022.

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.

5. Insurance Business

5.1 Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each Reporting date or more frequently when an indication of impairment arises during the Reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the Statement of Profit or Loss.

Premiums and claims are presented on a gross basis for reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

5.2 Insurance Receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Profit or Loss.

5.3 Deferred Expenses

5.3.1 Deferred Acquisition Costs (DAC)

The costs of acquiring new businesses including commission, underwriting, marketing and policy issue expenses which vary with and directly related to production of new businesses and/or investment contracts with Discretionary Participation Features (DPF), are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, DAC for general insurance is amortised over the period on the basis unearned premium is amortised. The reinsurances' share of deferred acquisition cost is amortised in the same manner as the underlying assets amortisation is recorded in the Statement of Profit or Loss. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation period and are treated as a change in an accounting estimate. DAC are derecognised when the related contracts are either expired or cancelled.

5.4 Reinsurance Commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortised over the period of reinsurance.

5.5 Investment Contract Liabilities

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities 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 But Not Effective as at the Reporting Date

The following Sri Lanka Accounting Standard was issued by the Institute of Chartered Accountants of Sri Lanka which is not yet effective as at 31 December 2021. Accordingly, these Accounting Standard has not been applied in the preparation of the Financial Statements for the year ended 31 December 2021.

We have identified following Standard where this applies to the Group and further details are set out below:

6.1.1 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 2023. The Group is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 17-“Insurance Contracts”.

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6.2 Amended Standards

The Institute of Chartered Accountants of Sri Lanka has made amendments to the following existing Sri Lanka Accounting Standards which are effective for annual periods beginning on or after 1 January 2022. The Group is assessing the potential impact on Financial Statements resulting from the application of following amendments.

6.2.1 Amendments to LKAS 37- "Provisions, Contingent Liabilities and Contingent Assets" : Onerous Contracts – Costs of Fulfilling a Contract

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

6.2.2 Amendments to LKAS 16 - "Property, Plant & Equipment": Proceeds before Intended Use

Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in Profit or Loss.

6.2.3 Amendments to SLFRS 3 - "Business Combinations": Updating a reference to conceptual framework

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. An exception was also added to the recognition principle of SLFRS 3 - "Business Combinations" to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 - "Provision Contingent Liabilities, Contingent Assets" or IFRIC 21 Levies, if incurred separately. At the same time, it was decided to clarify existing guidance in SLFRS 3 - "Business Combinations" for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

6.2.4 Amendments to SLFRS 1- "First-time Adoption of Sri Lanka Financial Reporting Standards" – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of SLFRS 1 - "First time Adoption of Sri Lanka Accounting Standards" to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to SLFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of SLFRS 1 - "First times Adoption of Sri Lanka, Financial Reporting Standards".

6.2.5 Amendments to SLFRS 9 - "Financial Instruments" – Fees in the '10 per cent' test for de-recognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual Reporting period in which the entity first applies the amendment.

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.

For the year ended 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Interest income [Note 8.1]	260,513,393	226,310,574	266,565,137	231,454,401
Fee and commission income [Note 9.1]	17,649,434	14,261,148	17,931,406	14,500,865
Net gains/ (losses) from trading [Note 10]	4,742,396	2,627,620	4,813,011	2,643,463
Net fair value gains/ (losses) from financial instruments at fair value through profit or loss [Note 11]	1,347,097	928,234	1,309,021	991,525
Net gains/ (losses) from derecognition of financial assets [Note 12]	393,920	482,684	466,392	492,996
Net other operating income [Note 13]	5,716,254	2,553,705	6,535,886	2,672,780
Total income	290,362,494	247,163,965	297,620,853	252,756,030

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.

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8.1 Interest Income

For the year ended 31 December	Bank		Group	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	272,710	998,297	405,801	1,104,948
Placements with banks	172,817	264,079	251,279	341,480
Securities purchased under resale agreements	55,892	613,353	45,731	599,915
Financial assets recognised through profit or loss measured at fair value	169,781	337,585	188,636	337,585
Financial assets at amortised cost				
- loans and advances	193,128,913	172,506,556	198,647,188	177,029,199
- debt and other instruments	65,712,624	50,874,778	65,828,219	51,302,458
Financial assets measured at fair value through OCI	1,000,656	715,926	1,198,283	738,816
Total Interest Income	260,513,393	226,310,574	266,565,137	231,454,401

Interest income on loans and advances includes interest on credit impaired loans and advances amounting to LKR 1,964.7 million for the year 2021 (2020 : LKR 2,293.0 million).

8.2 Interest Expenses

For the year ended 31 December	Bank		Group	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Due to banks	991,872	154,034	992,644	160,201
Securities sold under repurchase agreements	4,858,029	2,386,874	4,901,475	2,449,284
Financial liabilities at amortised cost				
- due to depositors	124,010,868	135,390,986	125,770,916	137,572,201
- other borrowings	12,086,260	7,166,906	12,306,268	7,340,219
Debt securities issued	-	-	293,983	294,789
Subordinated liabilities	7,314,423	6,435,908	7,310,224	6,434,466
Total interest expenses	149,261,452	151,534,708	151,575,510	154,251,160
Net interest income	111,251,941	74,775,866	114,989,627	77,203,241

8.3 Net Interest Income from Sri Lanka Government Securities

For the year ended 31 December	Bank		Group	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Interest income	49,697,311	38,741,348	49,986,610	38,934,513
Less : Interest expenses	4,858,029	2,386,874	4,901,475	2,449,284
Net interest income from Sri Lanka Government securities	44,839,282	36,354,474	45,085,135	36,485,229

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

For the year ended 31 December	Bank		Group	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Trade services	3,237,924	1,604,137	3,326,981	1,718,299
Debit and credit cards	5,376,831	3,783,023	5,376,831	3,783,023
Travel and remittances services	2,026,849	1,207,299	2,026,849	1,207,299
Custodial services	75,966	59,218	75,966	59,218
Retail banking services	4,789,654	5,891,181	4,928,836	5,954,065
Guarantees and related services	1,390,197	1,037,534	1,390,869	1,038,645
Other financial services	752,013	678,756	805,074	740,316
Total fee and commission income	17,649,434	14,261,148	17,931,406	14,500,865

9.2 Fee and Commission Expense

For the year ended 31 December	Bank		Group	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Debit and credit cards	2,927,581	1,762,276	2,927,581	1,762,276
Travel and remittances services	143,994	107,430	143,994	107,430
Retail banking services	360,347	391,934	365,774	395,979
Guarantees and related services	11,587	12,675	11,587	12,675
Other financial services	26,523	27,742	59,683	45,768
Total fee and commission Expenses	3,470,032	2,302,057	3,508,619	2,324,128
Net fee and commission income	14,179,402	11,959,091	14,422,787	12,176,737

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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.

For the year ended 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Foreign exchange				
From banks	(60,506)	(44)	(46,699)	18,118
From other customers	4,727,110	2,554,641	4,733,553	2,552,100
Equities				
Dividend income	75,792	73,023	126,157	73,245
Net gains/ (losses) from trading	4,742,396	2,627,620	4,813,011	2,643,463

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.

For the year ended 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Gains / (Losses) on marked to market valuation of				
Fixed income securities	(13,032)	1,995	(84,274)	58,106
Equities	304,671	606,973	337,325	611,935
Unit Trust	1,055,458	319,266	1,055,970	321,484
Net gains/(losses) on financial assets at fair value through profit or loss	1,347,097	928,234	1,309,021	991,525

12 Net Gains / (Losses) From Derecognition of Financial Assets

Net gains/(losses) from derecognition of Financial Assets include profit or loss on sale of debt instruments classified as fair value through profit or loss, amortised cost and fair value through other comprehensive income and profit or loss on sale of equity instrument classified as fair value through profit or loss.

For the year ended 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Recognised at:				
Fair value through profit or loss	322,145	130,746	384,418	141,058
Amortised cost	-	-	-	-
Fair value through other comprehensive income	71,775	351,938	81,974	351,938
Net gains/(losses) from Derecognition of Financial Assets	393,920	482,684	466,392	492,996

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.

For the year ended 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Dividend income from Financial assets measured at fair value through OCI	226,772	330,328	264,099	330,713
Dividend income from subsidiaries and associates	394,454	434,475	-	-
Dividend income from units in unit trust	-	-	982	818
Gains / (Losses) on revaluation of foreign exchange	4,529,610	1,325,123	4,529,610	1,325,123
Gains / (Losses) on sale of Property, Plant and Equipment	(16,120)	(8,934)	(3,597)	(9,498)
Gains / (Losses) on sale of foreclosed properties	36,655	7,919	36,655	7,919
Rental income	236,974	254,681	308,545	305,118
Service income	-	-	98,710	179,263
Profit from sale of gold bullion	15,777	6,030	15,777	6,030
Miscellaneous income	209,262	90,061	911,335	278,706
Gross insurance premium	-	-	290,900	134,566
Net income from Islamic banking [Note 13.1]	82,870	114,022	82,870	114,022
Net other operating income	5,716,254	2,553,705	6,535,886	2,672,780

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13.1 Net Income from Islamic Banking

For the year ended 31 December	Bank /Group	
	2021	2020
	LKR '000	LKR '000
Income from Islamic banking operations	155,774	200,293
Less : Profit paid to investors	72,904	86,271
Net income from Islamic banking	82,870	114,022

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	Bank				Group			
	2021				2021			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Cash and cash equivalents [Note 22.2]	935	-	-	935	1,001	-	-	1,001
Placements with banks [Note 24.2]	139	-	-	139	206	-	-	206
Financial assets measured at amortised cost - loans and advances [Note 28.2]	12,675,143	3,521,857	19,230,413	35,427,413	12,593,052	3,415,965	19,339,245	35,348,262
Financial assets measured at amortised cost - debt instruments [Note 29.3]	8,305,244	-	-	8,305,244	8,316,912	-	-	8,316,912
Financial assets measured at fair value through OCI [Note 30.4]	-	-	-	-	(4,416)	-	-	(4,416)
Other losses [Note 34.2]	-	-	-	-	-	-	-	-
Impairment Charge/ (Reversal) for Loans and Other Losses	20,981,461	3,521,857	19,230,413	43,733,731	20,906,755	3,415,965	19,339,245	43,661,965

For the year ended 31 December	Bank				Group			
	2020				2020			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Cash and cash equivalents [Note 22.2]	(2,268)	-	-	(2,268)	(738)	-	-	(738)
Placements with banks [Note 24.2]	(40,462)	-	-	(40,462)	(38,862)	-	-	(38,862)
Financial assets measured at amortised cost - loans and advances [Note 28.2]	4,623,993	1,997,984	21,333,025	27,955,002	4,593,426	2,040,650	22,022,592	28,656,668
Financial assets measured at amortised cost - debt instruments [Note 29.3]	3,317,804	-	2,102	3,319,906	3,331,140	-	2,102	3,333,242
Financial assets measured at fair value through OCI [Note 30.4]	-	-	-	-	4	-	-	4
Other losses [Note 34.2]	-	-	-	-	-	-	81,759	81,759
Impairment Charge/ (Reversal) for Loans and Other Losses	7,899,067	1,997,984	21,335,127	31,232,178	7,884,970	2,040,650	22,106,453	32,032,073

15 Personnel Expenses

Accounting Policy

Personnel expenses include staff emoluments, contribution to defined contribution and benefit plans and other related expenses. Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Employees are eligible for contribution to defined contribution and benefit plans in accordance with the respective internal and external statutes and regulations.

Defined benefit plans are recognised in the Statement of Profit or Loss based on actuarial valuations carried out in accordance with Sri Lanka Accounting Standard - LKAS 19 on "Employee Benefits".

For the year ended 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Staff emoluments	19,002,785	15,015,594	20,495,207	16,581,052
Contributions to defined contribution plans [Note 15.1]	1,705,848	1,371,430	1,869,174	1,532,416
Contributions to defined benefit plans [Note 15.2]	2,927,193	1,116,293	2,991,611	1,194,127
Other personnel expenses	1,346,114	687,163	1,569,263	743,017
Total personnel expenses	24,981,940	18,190,480	26,925,255	20,050,612

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 PLC and Hotel Colombo Limited) and 8% (10% by Property Development PLC'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	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Employers' contribution to:				
Bank of Ceylon/Employees' Provident Fund	1,366,978	1,098,814	1,498,129	1,228,306
Employees' Trust Fund	338,870	272,616	371,045	304,110
Total contributions to defined contribution plans	1,705,848	1,371,430	1,869,174	1,532,416

NOTES TO THE FINANCIAL STATEMENTS

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	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Net expenses recognised in the profit or loss				
Bank of Ceylon Pension Trust Fund [Note 48.1.1]	2,001,768	1,660,671	2,001,768	1,660,671
Bank of Ceylon Widows/ Widowers' and Orphans' Pension Fund [Note 48.2.1]	(810,350)	(1,048,419)	(810,350)	(1,048,419)
Terminal gratuity [Note 48.3]	80,769	81,196	136,445	151,220
Bank of Ceylon Pension Fund - 2014 [Note 48.4.1]	1,588,741	362,080	1,588,741	362,080
Provision for encashment of medical leave [Note 48.5]	66,265	60,765	66,265	60,765
Pension fund - Bank of Ceylon (UK) Limited	-	-	8,742	7,810
Total contributions to defined benefit plans	2,927,193	1,116,293	2,991,611	1,194,127

16 Depreciation and amortisation expenses

For the year ended 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Depreciation of investment properties [Note 33]	119,478	117,673	6,666	2,906
Depreciation of Property, Plant and Equipment [Note 34]	2,054,485	1,969,456	2,812,815	2,735,988
Amortisation of Right of Use Asset/ Leasehold properties [Note 35]	1,489,358	1,688,251	901,285	1,120,935
Amortisation of Intangible Assets [Note 36]	482,935	479,148	518,867	531,323
Total Depreciation and amortisation expenses	4,146,256	4,254,528	4,239,633	4,391,152

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 Liquidity 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 preceding 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.

For the year ended 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Directors' emoluments	4,388	4,000	11,609	8,340
Auditors' remuneration				
Audit fees	29,872	16,411	57,258	45,047
Non-audit fees	-	-	596	785
Deposit insurance premium	2,515,002	2,049,569	2,545,766	2,080,568
Professional and legal expenses	126,562	121,916	187,420	185,859
Net revaluation (gain) / loss on lands and buildings	-	69,897	(392)	59,383
Fixed assets maintenance expenses	4,222,646	3,609,067	4,006,182	3,244,078
Reinsurance premium, claims and other benefits	-	-	319,715	210,901
Office administration and establishment expenses	5,653,923	4,768,805	6,738,662	6,245,097
Total other expenses	12,552,393	10,639,665	13,866,816	12,080,058

NOTES TO THE FINANCIAL STATEMENTS

18 Taxes

18.1 Taxes on Financial Services

Taxes on financial services includes Value Added Tax (VAT) calculated based on the value addition made on financial services.

For the year ended 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Value Added Tax	9,027,173	5,458,468	9,339,679	5,463,182
Total taxes on financial services	9,027,173	5,458,468	9,339,679	5,463,182

18.2 Income Tax Expense

Current tax and deferred tax are recognised in the Statement of Profit or Loss except to the extent that it relates to items recognised directly in Equity or in Other Comprehensive Income (OCI).

Current Taxation

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. The amount of current tax receivable or payable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes if any.

Accordingly, provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017, effective from 1 April 2018 and Inland Revenue (Amendment) Act, No. 10 of 2021 certified on 13 May 2021. As required by the Sri Lanka Accounting Standard-LKAS 12 on "Income Taxes", the effective tax rates and reconciliation between the profit before tax and tax expense is given in Note 18.2.2.

Provision for taxation on the overseas operations is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the relevant laws and regulations in those countries, using the tax rates enacted or substantively enacted as at the reporting date.

Deferred Taxation

Reconciliation of Deferred tax assets and liabilities on temporary differences is given on Note 37.

18.2.1 Components of Income Tax Expense

For the year ended 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Current tax expense				
Income tax on current year profit	10,291,645	8,041,055	10,806,382	8,340,141
Adjustments in respect of prior years	(932,283)	459,793	(1,029,018)	308,902
Deferred tax expense				
Charge/ (Reversal) of deferred tax expense [Note 37]	(4,236,608)	(2,714,099)	(4,293,544)	(2,710,296)
Adjustment in respect of rate differences of prior years [Note 37]	476,656	-	469,839	-
Total income tax expense for the year	5,599,410	5,786,749	5,953,659	5,938,747

18.2.2 Reconciliation of Accounting Profit and Income Tax Expense

For the year ended 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Accounting profit before income tax	43,189,517	23,551,881	44,637,053	22,246,153
Add : Dividend income from subsidiaries and associates	-	-	394,454	434,475
	43,189,517	23,551,881	45,031,507	22,680,628
Add : Disallowable expenses	62,807,607	46,798,491	65,459,476	49,595,056
	105,997,124	70,350,372	110,490,983	72,275,684
Less: Allowable expenses	42,285,920	27,911,252	44,410,960	28,712,032
Less: Tax exempt income	20,583,744	13,607,503	20,770,875	13,607,503
Taxable income	43,127,460	28,831,617	45,309,148	29,956,149
Taxable income at the Normal Rate	42,459,428	28,011,080	44,552,442	29,135,005
Taxable income at the Special Rate	668,032	820,537	756,706	821,144
Current tax at rate of 24% (2020 - 28%)	10,190,263	7,843,102	10,692,586	8,157,801
Tax on Dividend Received at rate of 14% (2020 - 14%)	93,525	114,875	105,939	114,960
Effect of different tax rates in the Group	-	-	-	(15,698)
Effect of different tax rates in other countries	7,857	83,078	7,857	83,078
Adjustment in respect of prior years	(932,283)	459,793	(1,029,018)	308,902
Charge/ (Reversal) of deferred tax [Note 37]	(4,236,608)	(2,714,099)	(4,293,544)	(2,710,296)
Adjustment in respect of rate differences of prior years [Note 37]	476,656	-	469,839	-
Income tax expense for the year	5,599,410	5,786,749	5,953,659	5,938,747
The effective income tax rate	13.0%	24.6%	13.3%	26.7%

As per section 51 (4) of the Inland Revenue (Amendment) Act, No. 10 of 2021, the corporate income tax rate has been revised from 28% to 24% with effect from 1 January 2020. Accordingly, the income tax liability of the Bank for the year 2021 has been reduced by LKR 724.9 million (Group - LKR 865.5 million) due to revision of corporate tax rate since 1 January 2020. However, the income tax expense for the year 2020 is considered at the tax rate of 28% and the difference between tax rates from 28% to 24% is included in the adjustments in respect of prior years.

NOTES TO THE FINANCIAL STATEMENTS

18.2.3 The Tax Liabilities of Resident Companies are Computed at the Standard Rate of 24% (2020 : 28%) except the following Operations of the Bank and Subsidiary Companies which enjoy Full or Partial Exemptions and Concessions.

For the year ended 31 December	Group	
	2021	2020
	%	%
Tax rates applicable on local operations		
Hotels Colombo (1963) Limited	14.00	14.00
Ceybank Holiday Homes (Private) Limited	14.00	14.00
Koladeniya Hydropower (Private) Limited	N/A	20.00

For the year ended 31 December	Bank/Group	
	2021	2020
	%	%
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

Note

Investment income of the Hotels Colombo (1963) Limited and Ceybank Holiday Homes (Private) Limited is subject to 24%.

19 Share of Profits / (Losses) of Associate Companies, Net of Tax

The aggregate of the Group's share of profit or losses of associates is shown in the Statement of Profit or Loss under the equity method of accounting.

For the year ended 31 December	Group	
	2021	2020
	LKR '000	LKR '000
Ceybank Asset Management Limited	58,715	52,620
Lanka Securities (Private) Limited	54,105	9,746
Transnational Lanka Records Solutions (Private) Limited	20,857	20,122
Total share of profits / (losses) of associate companies, net of tax	133,677	82,488

20 Earnings Per Share and Dividend Per Share

20.1 Basic Earnings Per Share

In accordance with the Sri Lanka Accounting Standard - LKAS 33 "Earnings Per Share", basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholder of the Bank (the numerator) by the weighted average number of ordinary shares in issue (the denominator) during the year.

	Bank		Group	
	2021	2020	2021	2020
For the year ended 31 December				
Profit attributable to ordinary shareholder of the Bank (LKR '000)	37,590,107	17,765,132	38,490,392	16,842,514
Weighted average number of ordinary shares in issue [Note 20.1.1]	25,000,000	25,000,000	25,000,000	25,000,000
Basic earnings per share (LKR)	1,503.60	710.61	1,539.62	673.70

20.1.1 Weighted Average Number of Ordinary Shares in Issue

	Bank		Group	
	2021	2020	2021	2020
For the year ended 31 December				
Number of ordinary shares in issue as at 1 January	25,000,000	25,000,000	25,000,000	25,000,000
Weighted average number of ordinary shares issued during the year	-	-	-	-
Weighted average number of ordinary shares in issue as at 31 December	25,000,000	25,000,000	25,000,000	25,000,000

20.2 Diluted Earnings per Share

Diluted earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholder of the Bank (the numerator) by the weighted average number of ordinary shares in issue during the year after adjusting for effect of all dilutive potential ordinary shares (the denominator).

	Bank		Group	
	2021	2020	2021	2020
For the year ended 31 December				
Profit attributable to ordinary shareholders of the Bank (LKR '000)	37,590,107	17,765,132	38,490,392	16,842,514
Weighted average number of ordinary shares after adjusting for dilution [Note 20.2.1]	25,000,000	25,000,000	25,000,000	25,000,000
Diluted earnings per share (LKR)	1,503.60	710.61	1,539.62	673.70

20.2.1 Weighted Average Number of Ordinary Shares after Adjusting for Dilution

	Bank		Group	
	2021	2020	2021	2020
For the year ended 31 December				
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	-	-	-	-
Weighted average number of ordinary shares after adjusting for dilution	25,000,000	25,000,000	25,000,000	25,000,000

NOTES TO THE FINANCIAL STATEMENTS

20.3 Dividend Per Share

Dividend per share is calculated by dividing the total dividend allocated to shareholder (the numerator) by the weighted average number of ordinary shares in issue (the denominator) during the year.

For the year ended 31 December	Bank		Group	
	2021	2020	2021	2020
Total dividend allocated to shareholder during the year (LKR '000)	1,846,410	1,596,410	1,846,410	1,596,410
Weighted average number of ordinary shares in issue [Note 20.1.1]	25,000,000	25,000,000	25,000,000	25,000,000
Dividend per share (LKR)	73.86	63.86	73.86	63.86

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	2021			
	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	-	-	82,647,406	82,647,406
Balances with Central Banks	-	-	74,121,781	74,121,781
Placements with banks	-	-	4,957,417	4,957,417
Securities purchased under resale agreements	-	-	2,074,474	2,074,474
Derivative financial instruments	4,342,531	-	-	4,342,531
Loans and advances	-	-	2,413,762,291	2,413,762,291
Debt instruments	6,503,801	13,321,766	1,082,179,876	1,102,005,443
Equity Instruments	2,726,221	4,980,790	-	7,707,011
Total financial assets	13,572,553	18,302,556	3,659,743,245	3,691,618,354

As at 31 December	2021		
	Fair value through profit or loss	Amortised cost	Total
	LKR '000	LKR '000	LKR '000
Financial liabilities			
Due to banks	-	17,936,070	17,936,070
Securities sold under repurchase agreements	-	162,156,413	162,156,413
Derivative financial instruments	380,328	-	380,328
Financial liabilities at amortised cost			
- due to depositors	-	2,866,894,010	2,866,894,010
- other borrowings	-	444,107,977	444,107,977
Subordinated Liabilities	-	64,358,855	64,358,855
Total financial liabilities	380,328	3,555,453,325	3,555,833,653

21.1 Bank

As at 31 December	2020			
	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	-	-	84,416,624	84,416,624
Balances with Central Banks	-	-	33,351,852	33,351,852
Placements with banks	-	-	27,615,851	27,615,851
Securities purchased under resale agreements	-	-	2,001,047	2,001,047
Derivative financial instruments	548,926	-	-	548,926
Loans and advances	-	-	1,988,409,007	1,988,409,007
Debt instruments	6,764,367	10,944,511	724,390,172	742,099,050
Equity Instruments	3,091,853	4,417,969	-	7,509,822
Total financial assets	10,405,146	15,362,480	2,860,184,553	2,885,952,179
Financial liabilities				
Due to banks	-	-	2,402,043	2,402,043
Securities sold under repurchase agreements	-	-	57,106,652	57,106,652
Derivative financial instruments	-	102,182	-	102,182
Financial liabilities at amortised cost				
- due to depositors	-	-	2,474,775,488	2,474,775,488
- other borrowings	-	-	180,884,127	180,884,127
Subordinated Liabilities	-	-	64,637,407	64,637,407
Total financial liabilities	-	102,182	2,779,805,717	2,779,907,899

NOTES TO THE FINANCIAL STATEMENTS

21 Analysis of Financial Instruments by Measurement Basis

21.2 Group

As at 31 December	2021			
	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	-	-	82,313,908	82,313,908
Balances with Central Banks	-	-	74,121,781	74,121,781
Placements with banks	-	-	5,342,369	5,342,369
Securities purchased under resale agreements	-	-	2,976,664	2,976,664
Derivative financial instruments	4,342,531	-	-	4,342,531
Loans and advances	-	-	2,446,330,329	2,446,330,329
Debt instruments	6,663,099	16,680,902	1,082,837,662	1,106,181,663
Equity Instruments	2,977,714	6,198,908	-	9,176,622
Total financial assets	13,983,344	22,879,810	3,693,922,713	3,730,785,867

As at 31 December	2021		
	Fair value through profit or loss	Amortised cost	Total
	LKR '000	LKR '000	LKR '000
Financial liabilities			
Due to banks	-	18,646,339	18,646,339
Securities sold under repurchase agreements	-	161,668,335	161,668,335
Derivative financial instruments	380,328	-	380,328
Financial liabilities at amortised cost			
- due to depositors	-	2,886,237,094	2,886,237,094
- other borrowings	-	447,875,002	447,875,002
Debt securities issued	-	2,107,182	2,107,182
Subordinated liabilities	-	64,105,970	64,105,970
Total financial liabilities	380,328	3,580,639,922	3,581,020,250

21.2 Group

As at 31 December	2020			
	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	-	-	83,198,445	83,198,445
Balances with Central Banks	-	-	33,351,852	33,351,852
Placements with banks	-	-	27,913,969	27,913,969
Securities purchased under resale agreements	-	-	3,822,312	3,822,312
Derivative financial instruments	548,926	-	-	548,926
Loans and advances	-	-	2,018,393,730	2,018,393,730
Debt instruments	7,564,994	12,308,606	725,579,585	745,453,185
Equity Instruments	3,304,477	5,605,172	-	8,909,649
Total financial assets	11,418,397	17,913,778	2,892,259,893	2,921,592,068

As at 31 December	2020		
	Fair value through profit or loss	Amortised cost	Total
	LKR '000	LKR '000	LKR '000
Financial liabilities			
Due to banks	-	2,628,434	2,628,434
Securities sold under repurchase agreements	-	57,697,780	57,697,780
Derivative financial instruments	102,182	-	102,182
Financial liabilities at amortised cost			
- due to depositors	-	2,493,110,291	2,493,110,291
- other borrowings	-	185,102,055	185,102,055
Debt securities issued	-	2,107,493	2,107,493
Subordinated liabilities	-	64,627,397	64,627,397
Total financial liabilities	102,182	2,805,273,450	2,805,375,632

NOTES TO THE FINANCIAL STATEMENTS

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	
	2021	2020	2021	2020
As at 31 December	LKR '000	LKR '000	LKR '000	LKR '000
Local currency in hand	46,231,509	41,282,531	46,414,486	41,453,241
Foreign currency in hand	1,588,213	1,711,282	1,601,562	1,727,928
Balances with banks	33,081,008	38,127,468	33,642,667	38,346,228
Money at call and short notice	1,758,879	3,306,611	669,007	1,683,861
Gross cash and cash equivalents	82,659,609	84,427,892	82,327,722	83,211,258
Less - Accumulated impairment [Note 22.2]	12,203	11,268	13,814	12,813
Net cash and cash equivalents	82,647,406	84,416,624	82,313,908	83,198,445

22.1 Analysis of Cash and Cash Equivalents Based on Exposure to Credit Risk

	Bank				
	2021				2020
	Stage 1	Stage 2	Stage 3	Total	Total
As at 31 December	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balances with banks	33,081,008	-	-	33,081,008	38,127,468
Money at call and short notice	1,758,879	-	-	1,758,879	3,306,611
	34,839,887	-	-	34,839,887	41,434,079
Less - Accumulated impairment	12,203	-	-	12,203	11,268
Net cash equivalents	34,827,684	-	-	34,827,684	41,422,811

	Group				
	2021				2020
	Stage 1	Stage 2	Stage 3	Total	Total
As at 31 December	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balances with banks	33,642,667	-	-	33,642,667	38,346,228
Money at call and short notice	669,007	-	-	669,007	1,683,861
	34,311,674	-	-	34,311,674	40,030,089
Less - Accumulated impairment	13,814	-	-	13,814	12,813
Net cash equivalents	34,297,860	-	-	34,297,860	40,017,276

22.2 Movement in Provision for Impairment During the Year

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Movement in Stage 1 Impairment				
Balance as at 1 January	11,268	13,536	12,813	13,551
Charge/(Write back) to income statement	935	(2,268)	1,001	(738)
Balance as at 31 December	12,203	11,268	13,814	12,813

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Movement in Total Impairment				
Balance as at 1 January	11,268	13,536	12,813	13,551
Charge/(Write back) to income statement	935	(2,268)	1,001	(738)
Balance as at 31 December	12,203	11,268	13,814	12,813

23 Balances with Central Banks

Accounting Policy

Balances with Central Banks are carried at amortised cost in the Statement of Financial Position

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
As at 31 December				
Statutory balances with central banks				
Central bank of Sri Lanka	68,797,576	27,264,328	68,797,576	27,264,328
Other Central Banks	5,324,205	6,087,524	5,324,205	6,087,524
Total balances with central banks	74,121,781	33,351,852	74,121,781	33,351,852

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 2021 was 4.0% (2020 : 2.0%) 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 (2020 : 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 2021 was 4.0% on its demand and term deposit liabilities (2020 : 3.0%).

23.3 Maldives Monetary Authority (MMA)

In accordance with the prevailing regulations of Maldives Monetary Authority (MMA), the branch in Maldives is required to maintain a reserve deposit based on 10.0% of the branch's commercial deposits and liabilities to the public in the Maldives in Maldivian Rufiyaa and 5.0% of the branch's commercial deposits and liabilities to the public in the Maldives in United States Dollar. (2020 : 7.5% for Maldivian Rufiyaa and 5.0% for United States Dollar separately).

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 10.0% on rupee deposits of the branch's commercial deposits liabilities to the public in Seychelles and 13% for foreign currency deposits of the branch's commercial deposits liabilities to the public in Seychelles (2020 : 13.0%).

NOTES TO THE FINANCIAL STATEMENTS

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	
	2021	2020	2021	2020
As at 31 December	LKR '000	LKR '000	LKR '000	LKR '000
Within Sri Lanka	-	186,246	184,016	486,389
Outside Sri Lanka	4,957,950	27,429,999	5,160,954	27,429,975
Gross placements with banks	4,957,950	27,616,245	5,344,970	27,916,364
Less - Accumulated impairment [Note 24.2]	533	394	2,601	2,395
Net placements with banks	4,957,417	27,615,851	5,342,369	27,913,969

24.1 Analysis of Placements with Banks Based on Exposure to Credit Risk

Bank

	2021				2020
	Stage 1	Stage 2	Stage 3	Total	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Within Sri Lanka	-	-	-	-	186,246
Outside Sri Lanka	4,957,950	-	-	4,957,950	27,429,999
	4,957,950	-	-	4,957,950	27,616,245
Less - Accumulated impairment	533	-	-	533	394
Net placements with banks	4,957,417	-	-	4,957,417	27,615,851

Group

	2021				2020
	Stage 1	Stage 2	Stage 3	Total	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Within Sri Lanka	184,016	-	-	184,016	486,389
Outside Sri Lanka	5,160,954	-	-	5,160,954	27,429,975
	5,344,970	-	-	5,344,970	27,916,364
Less - Accumulated impairment	2,601	-	-	2,601	2,395
Net placements with banks	5,342,369	-	-	5,342,369	27,913,969

24.2 Movement in provision for Impairment During the Year

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Movement in Stage 1 Impairment				
Balance as at 1 January	394	40,856	2,395	41,257
Charge/ (Reversal) during the year	139	(40,462)	206	(38,862)
Balance as at 31 December	533	394	2,601	2,395

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Movement in Total Impairment				
Balance as at 1 January	394	40,856	2,395	41,257
Charge/ (Reversal) during the year	139	(40,462)	206	(38,862)
Balance as at 31 December	533	394	2,601	2,395

25 Securities Purchased Under Resale Agreements

Accounting Policy

Securities purchased under resale agreements (Reverse Repos) are securities 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.

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
As at 31 December				
With Banks	2,074,474	-	2,938,095	329,488
With Customers	-	2,001,047	38,569	3,492,824
Total securities purchased under resale agreements	2,074,474	2,001,047	2,976,664	3,822,312

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	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
As at 31 December				
Foreign currency derivatives				
Forward foreign exchange contracts	27,558	38,532	27,558	38,532
Currency SWAPs	4,314,973	510,394	4,314,973	510,394
Total derivative financial instruments	4,342,531	548,926	4,342,531	548,926

NOTES TO THE FINANCIAL STATEMENTS

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).

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Measured at fair value				
Sri Lanka Government Securities				
Treasury bills	2,308,810	3,622,937	2,308,810	3,623,301
Treasury bonds	27,656	29,553	131,378	775,231
Quoted equities [Note 27.2]	2,726,221	3,091,853	2,977,714	3,304,477
Quoted Debt Securities [Note 27.3]	-	-	-	1,750
Units in unit trusts [Note 27.4]	4,167,335	3,111,877	4,222,911	3,164,712
Total Financial Assets Recognised Through Profit or Loss	9,230,022	9,856,220	9,640,813	10,869,471

27.1 By currency

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Sri Lankan Rupee	9,230,022	9,856,220	9,640,813	10,869,471
Total	9,230,022	9,856,220	9,640,813	10,869,471

27.2 Quoted Equities

27.2.1 Sector Wise Composition of Quoted Equities

As at 31 December	2021			2020		
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	%
Bank [Note 27.2.2]						
Automobiles and Components	-	-	-	14,627	17,130	0.6
Banks	9,739	8,830	0.3	14,167	7,890	0.3
Capital Goods	1,500,551	1,265,377	46.4	1,790,370	1,346,195	43.5
Consumer Durables and Apparel	107,586	107,866	4.0	71,519	57,078	1.8
Consumer Services	712,023	337,726	12.4	718,233	292,389	9.5
Diversified Financials	108,747	40,345	1.5	105,871	46,882	1.5
Energy	142,739	59,859	2.2	160,897	83,962	2.7
Food and Staples Retailing	31,733	24,181	0.9	275,800	306,901	9.9
Food, Beverage and Tobacco	526,183	367,076	13.5	562,601	381,516	12.3
Health Care Equipment and Services	34,751	32,356	1.2	46,737	45,984	1.5
Materials	385,967	297,046	10.9	328,894	241,333	7.8
Real Estate	20,981	18,390	0.7	24,786	13,792	0.4
Retailing	150,490	102,192	3.7	211,495	138,804	4.5
Telecommunication Services	7,496	8,303	0.3	24,615	24,866	0.8
Transportation	-	-	-	11,840	14,500	0.5
Utilities	41,736	56,674	2.0	79,736	72,631	2.4
Quoted Equity Bank	3,780,722	2,726,221	100.0	4,442,188	3,091,853	100.0
Group [Note 27.2.3]						
Automobiles and Components	-	-	-	14,627	17,130	0.5
Banks	72,446	45,541	1.5	141,324	82,887	2.5
Capital Goods	1,542,631	1,301,427	43.7	1,835,702	1,381,528	41.8
Consumer Durables and Apparel	132,305	132,075	4.4	71,519	57,078	1.7
Consumer Services	771,351	392,630	13.2	784,022	325,977	9.9
Diversified Financials	146,921	67,397	2.3	137,194	69,044	2.1
Energy	144,470	61,566	2.1	161,568	84,612	2.6
Food and Staples Retailing	31,733	24,181	0.8	275,800	306,901	9.3
Food, Beverage and Tobacco	563,717	389,400	13.1	597,809	404,462	12.2
Health Care Equipment and Services	35,651	33,256	1.1	46,737	45,984	1.4
Insurance	2,683	2,533	0.1	4,347	3,743	0.1
Materials	408,081	315,088	10.6	331,276	243,709	7.4
Real Estate	32,937	30,040	1.0	30,199	19,051	0.6
Retailing	153,503	105,117	3.5	216,326	143,248	4.3
Telecommunication Services	7,896	8,691	0.3	24,615	24,866	0.8
Transportation	-	-	-	11,840	14,500	0.4
Utilities	47,800	68,772	2.3	84,261	79,757	2.4
Quoted Equity Group	4,094,125	2,977,714	100.0	4,769,166	3,304,477	100.0

NOTES TO THE FINANCIAL STATEMENTS

27.2.2 Quoted Equities-Bank

As at 31 December	Bank							
	2021				2020			
	No. of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000	No. of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000
Automobiles and Components								
Kelani Tyres PLC	-	-	-	-	198,032	14,627	86.50	17,130
Total of Automobiles and Components Sector		-		-		14,627		17,130
Banks								
Hatton National Bank PLC	65,406	9,739	135.00	8,830	62,374	14,167	126.50	7,890
Total of Bank Sector		9,739		8,830		14,167		7,890
Capital Goods								
Access Engineering PLC	926,286	25,024	31.90	29,549	2,342,578	57,040	24.60	57,627
ACL Cables PLC	-	-	-	-	191,306	12,887	76.60	14,654
Aitken Spence PLC	2,596,230	256,689	82.40	213,929	2,921,230	317,952	57.80	168,847
Brown and Company PLC	284,241	46,694	369.50	105,027	809,616	133,026	105.20	85,172
Colombo Dockyard PLC	897,625	201,955	79.40	71,271	897,625	201,955	85.30	76,567
Hayleys PLC	400,000	41,530	130.00	52,000	-	-	-	-
Hemas Holdings	1,127,296	99,068	66.90	75,416	-	-	-	-
John Keells Holdings PLC	3,988,677	668,099	150.00	598,302	3,999,657	680,945	149.60	598,349
Lanka Tiles PLC	-	-	-	-	1,238,981	163,759	143.80	178,165
Lankem Ceylon PLC	72,400	32,702	47.80	3,461	72,400	32,702	32.50	2,353
Renuka Holdings PLC	1,211,821	39,639	19.40	23,509	1,211,821	39,639	15.00	18,177
Richard Pieris and Company PLC	-	-	-	-	3,439,225	45,260	14.90	51,244
Royal Ceramics Lanka PLC	250,000	19,475	78.10	19,525	109,927	17,160	177.10	19,468
The Colombo Fort Land & Building PLC	149,500	10,307	25.40	3,797	149,500	10,307	12.90	1,929
UNISYST Engineering PLC	1,315,380	19,777	21.90	28,807	-	-	-	-
Vallibel One PLC	561,758	39,592	72.60	40,784	2,832,421	77,738	26.00	73,643
Total of Capital Goods Sector		1,500,551		1,265,377		1,790,370		1,346,195
Consumer Durables and Apparel								
Ambeon Holdings PLC	385,000	23,273	48.90	18,827	385,000	23,273	20.70	7,970
Hayleys Fabric PLC	1,390,612	54,698	41.20	57,293	295,880	7,266	27.80	8,225
Teejay Lanka PLC	715,000	29,615	44.40	31,746	1,075,872	40,980	38.00	40,883
Total of Consumer Durables and Apparel Sector		107,586		107,866		71,519		57,078

As at 31 December	Bank							
	2021				2020			
	No. of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000	No. of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000
Consumer Services								
Aitken Spence Hotel Holdings PLC	2,547,424	232,670	42.30	107,756	2,547,424	232,670	32.30	82,282
Amaya Leisure PLC	1,186,240	53,020	22.50	26,690	593,120	53,009	42.00	24,911
Asian Hotels & Properties PLC	2,367,741	225,788	44.10	104,417	2,367,741	225,788	42.90	101,576
Citrus Leisure PLC	100,000	10,112	8.90	890	100,000	10,112	10.40	1,040
Eden Hotel Lanka PLC	775,550	41,864	33.30	25,826	775,550	41,864	11.50	8,919
Jetwing Symphony PLC	-	-	-	-	179,627	2,694	9.60	1,724
John Keells Hotels PLC	893,487	14,553	14.70	13,134	893,487	14,553	11.00	9,828
Tal Lanka Hotels PLC	447,400	30,043	22.10	9,888	447,400	30,043	16.90	7,561
Tangerine Beach Hotels PLC	50,000	5,056	66.00	3,300	50,000	5,056	46.30	2,315
The Fortress Resorts PLC	1,461,100	50,510	13.40	19,579	1,461,100	50,510	12.40	18,118
The Kingsbury PLC	-	-	-	-	224,170	3,527	11.90	2,668
Trans Asia Hotels PLC	477,200	48,407	55.00	26,246	477,200	48,407	65.90	31,447
Total of Consumer Services Sector		712,023		337,726		718,233		292,389
Diversified Financials								
Ceylon Guardian Investment Trust PLC	107,847	32,747	104.00	11,216	107,847	32,747	127.30	13,729
Ceylon Investment PLC	543,451	76,000	53.60	29,129	446,206	73,124	74.30	33,153
Total of Diversified Financials Sector		108,747		40,345		105,871		46,882
Energy								
Lanka IOC PLC	-	-	-	-	694,235	18,158	22.40	15,551
Laugfs Gas PLC - Non-voting	3,420,538	142,739	17.50	59,859	3,420,538	142,739	20.00	68,411
Total of Energy Sector		142,739		59,859		160,897		83,962
Food and Staples Retailing								
Cargills (Ceylon) PLC	100,000	23,200	215.25	21,525	1,484,124	267,267	205.00	304,245
Ceylon and Foreign Trades PLC	830,100	8,533	3.20	2,656	830,100	8,533	3.20	2,656
Total of Food and Staples Retailing Sector		31,733		24,181		275,800		306,901

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Bank							
	2021				2020			
	No. of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000	No. of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000
Food, Beverage and Tobacco								
Agalawatte Plantations PLC	700,113	35,169	53.70	37,596	37,588	3,798	28.10	1,056
Bairaha Farms PLC	-	-	-	-	279,597	49,375	140.50	39,283
Balangoda Plantations PLC	-	-	-	-	27,063	1,970	16.10	436
Bukit Darah PLC	119,257	83,965	402.50	48,001	119,257	83,965	349.30	41,656
Carson Cumberbatch PLC	313,352	141,328	307.00	96,199	313,352	141,328	278.80	87,363
Ceylon Cold Stores PLC	-	-	-	-	24,439	16,027	704.60	17,220
Ceylon Tobacco Company PLC	143,175	137,098	878.00	125,708	143,175	137,098	1,028.90	147,313
Horana Plantations PLC	465,700	39,720	30.10	14,018	513,000	43,752	22.40	11,491
Kahawatte Plantations PLC	708,674	28,666	27.60	19,559	756,484	30,600	31.00	23,451
Kegalle Plantations PLC	-	-	-	-	50,600	13,703	89.00	4,503
Kotagala Plantations PLC	729,997	34,709	7.70	5,621	729,997	34,709	9.00	6,570
Lucky Lanka Milk Processing PLC - Voting	1,000,000	6,000	1.10	1,100	1,000,000	6,000	1.10	1,100
Lucky Lanka Milk Processing PLC - Non voting	91,900	276	0.80	74	91,900	276	0.80	74
MELSTRACROPE	342,238	19,252	56.10	19,200	-	-	-	-
Total of Food, Beverage and Tobacco Sector		526,183		367,076		562,601		381,516
Health Care Equipment and Services								
Asiri Hospital Holdings PLC	300,000	9,742	32.50	9,750	500,000	15,476	34.50	17,250
Nawaloka Hospitals PLC	-	-	-	-	981,052	5,871	5.90	5,788
Singhe Hospitals PLC	-	-	-	-	1,937,863	4,845	3.30	6,395
The Lanka Hospital Corporation PLC	411,773	25,009	54.90	22,606	309,949	20,545	53.40	16,551
Total of Health Care Equipment and Services Sector		34,751		32,356		46,737		45,984

As at 31 December	Bank							
	2021				2020			
	No. of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000	No. of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000
Materials								
ACL Plastics	5,146	2,431	570.75	2,937	-	-	-	-
ACME Printing & Packaging PLC	-	-	-	-	614,700	19,957	5.10	3,135
Chemanex PLC	101,263	16,618	77.30	7,828	100,000	16,685	90.50	9,050
Chevron Lubricants Lanka PLC	1,272,121	161,138	113.00	143,750	837,966	117,579	108.00	90,500
CIC Holdings PLC - Voting	300,000	12,094	65.00	19,500	442,165	71,309	182.30	80,607
Dipped Products PLC	676,913	39,302	50.70	34,319	25,000	8,068	347.30	8,683
Lanka Cement PLC	7,265,828	63,576	2.50	18,165	7,265,828	63,576	2.50	18,165
Piramal Glass Ceylon PLC	-	-	-	-	2,288,600	22,008	9.40	21,513
Swisstek (Ceylon) PLC	237,175	10,930	46.00	10,910	100,000	9,712	96.80	9,680
Tokyo Cement Co Ltd	1,199,941	79,878	49.70	59,637	-	-	-	-
Total of Materials Sector		385,967		297,046		328,894		241,333
Real Estate								
Overseas Realty (Ceylon) PLC	957,794	20,981	19.20	18,390	957,794	24,786	14.40	13,792
Total of Real Estate Sector		20,981		18,390		24,786		13,792
Retailing								
C M Holdings PLC	-	-	-	-	50,857	17,422	78.50	3,992
C. W. Mackie PLC	-	-	-	-	25,815	1,355	48.00	1,239
Diesel and Motor Engineering PLC	81,054	84,515	618.00	50,091	77,935	84,514	618.20	48,179
Hunters & Company PLC	18,000	14,561	650.00	11,700	27,100	21,924	748.50	20,284
John Keells PLC	250,200	22,758	71.90	17,989	250,200	22,758	61.50	15,387
Odel PLC	222,295	9,325	25.20	5,602	222,295	9,325	21.10	4,690
Sathosa Motors PLC	13,194	5,111	201.50	2,659	13,194	5,111	271.60	3,584
United Motors Lanka PLC	152,000	14,220	93.10	14,151	524,677	49,086	79.00	41,449
Total of Retailing Sector		150,490		102,192		211,495		138,804
Telecommunication Services								
Dialog Axiata PLC	-	-	-	-	1,427,200	17,119	12.40	17,697
Sri Lanka Telecom PLC	214,000	7,496	38.80	8,303	214,000	7,496	33.50	7,169
Total of Telecommunication Services Sector		7,496		8,303		24,615		24,866
Transportation								
Expolanka Holdings PLC	-	-	-	-	500,000	11,840	29.00	14,500
Total of Transportation Sector		-		-		11,840		14,500

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Bank							
	2021				2020			
	No. of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000	No. of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000
Utilities								
Laufgs Power PLC - Non -voting	1,297,831	-	8.50	11,032	1,297,831	-	7.40	9,604
LVL Energy Fund PLC	-	-	-	-	648,100	6,481	10.20	6,611
Panasian Power PLC	1,029,200	6,402	5.50	5,661	1,029,200	6,402	4.10	4,220
Resus Energy PLC	977,527	35,334	40.90	39,981	1,445,397	52,878	27.00	39,026
Vallibel Power Erathna PLC	-	-	-	-	1,667,050	13,975	7.90	13,170
Total of Utilities Sector		41,736		56,674		79,736		72,631
Total quoted equities		3,780,722		2,726,221		4,442,188		3,091,853

27.2.3 Quoted Equities - Group

As at 31 December	Group							
	2021				2020			
	No. of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000	No. of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000
Automobiles and Components								
Kelani Tyres PLC	-	-	-	-	198,032	14,627	86.50	17,130
Total of Automobiles and Components Sector		-		-		14,627		17,130
Banks								
Commercial Bank of Ceylon PLC - Voting	-	-	-	-	15,597	1,759	80.90	1,262
Commercial Bank of Ceylon PLC - Non-voting	-	-	-	-	55,597	5,410	70.10	3,897
DFCC Bank PLC	-	-	-	-	120,713	24,535	65.30	7,883
Hatton National Bank PLC - Voting	65,406	9,739	135.00	8,830	62,374	14,167	126.50	7,890
Hatton National Bank PLC - Non-voting	-	-	-	-	10,457	1,820	100.60	1,052
National Development Bank PLC	20,000	3,504	68.90	1,378	109,918	19,255	78.10	8,585
Nations Trust Bank PLC	209,949	19,546	55.00	11,547	209,949	19,546	60.00	12,597
Pan Asia Banking Corporation PLC	-	-	-	-	80,000	1,341	13.00	1,040
Seylan Bank PLC - Voting	443,912	30,620	44.00	19,532	207,144	16,528	46.00	9,529
Seylan Bank PLC - Non-voting	205	8	33.30	7	512,299	20,949	34.00	17,418
Sanasa Development Bank PLC	98,770	9,029	43.00	4,247	101,270	9,258	58.10	5,884
Union Bank of Colombo PLC	-	-	-	-	500,000	6,756	11.70	5,850
Total of Banks Sector		72,446		45,541		141,324		82,887

As at 31 December	Group							
	2021				2020			
	No. of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000	No. of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000
Capital Goods								
Access Engineering PLC	951,286	25,887	31.90	30,346	2,367,578	57,667	24.60	58,242
ACL Cables PLC	-	-	-	-	191,306	12,887	76.60	14,654
Aitken Spence PLC	2,596,230	256,689	82.40	213,929	3,031,230	329,063	57.80	175,205
Brown and Company PLC	284,241	46,694	369.50	105,027	839,616	135,257	105.20	88,328
Colombo Dockyard PLC	897,625	201,955	79.40	71,271	897,625	201,955	85.30	76,567
E B Creasy & Company PLC	5,000	285	26.50	133	-	-	-	-
Hayleys PLC	400,000	41,530	130.00	52,000	-	-	-	-
Hemas Holdings PLC	1,177,296	104,246	66.90	78,761	-	-	-	-
John Keells Holdings PLC	4,095,048	684,131	150.00	614,257	4,031,028	685,894	149.60	603,042
Kelani Cables PLC	-	-	-	-	15,000	1,776	116.50	1,748
Lanka Tiles PLC	-	-	-	-	1,238,981	163,758	143.80	178,165
Lankem Ceylon PLC	72,400	32,702	47.80	3,461	72,400	32,702	32.50	2,353
Mackwoods Energy PLC	1,200,000	3,848	2.90	3,480	-	-	-	-
MTD Walkers PLC	165,000	6,751	14.80	2,442	165,000	6,751	14.80	2,442
Renuka Holdings PLC	1,288,306	41,135	19.40	24,993	1,218,121	39,812	15.00	18,272
Richard Pieris and Company PLC	-	-	-	-	3,539,225	46,860	14.90	52,734
Royal Ceramics Lanka PLC	250,000	19,475	78.10	19,525	134,927	20,182	177.10	23,896
Serendib Engineering	164,900	1,136	7.00	1,154	-	-	-	-
Softlogic Holdings PLC	-	-	-	-	525,000	7,751	12.40	6,510
The Colombo Fort Land & Building PLC	149,500	10,307	25.40	3,797	290,000	12,853	12.90	3,741
UNISYST Engineering PLC	1,315,380	19,777	21.90	28,807	117,500	2,796	16.90	1,986
Vallibel One PLC	661,758	46,083	72.60	48,044	2,832,421	77,738	26.00	73,643
Total of Capital Goods Sector		1,542,631		1,301,427		1,835,702		1,381,528
Consumer Durables and Apparel								
Ambeon Holdings PLC	385,000	23,273	48.90	18,827	385,000	23,273	20.70	7,970
Blue Diamonds Jewellery Worldwide PLC-Non Voting	250,000	125	0.50	125	-	-	-	-
Dankotuwa Porcelain PLC	1,000,000	15,395	14.60	14,600	-	-	-	-
Hayleys Fabric PLC	1,390,612	54,698	41.20	57,293	295,880	7,266	27.80	8,225
Hayleys Fibre PLC	34,741	2,768	81.30	2,824	-	-	-	-
Teejay Lanka PLC	865,000	36,046	44.40	38,406	1,075,872	40,980	38.00	40,883
Total of Consumer Durables and Apparel Sector		132,305		132,075		71,519		57,078

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Group							
	2021				2020			
	No. of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000	No. of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000
Consumer Services								
Aitken Spence Hotel Holdings PLC	2,547,424	232,670	42.30	107,756	2,610,641	238,449	32.30	84,324
Amaya Leisure PLC	1,229,106	54,133	22.50	27,655	609,553	53,907	42.00	25,601
Anilana Hotels & Properties PLC	1,000,000	1,475	1.40	1,400	-	-	-	-
Asian Hotels and Properties PLC	2,367,741	225,788	44.10	104,417	2,367,741	225,788	42.90	101,576
Citrus Leisure PLC	136,296	10,502	8.90	1,213	100,000	10,112	10.40	1,040
Dolphin Hotels PLC	15,000	630	37.20	558	15,000	442	26.40	396
Eden Hotel Lanka PLC	903,293	45,541	33.30	30,080	903,293	45,541	11.50	10,388
Jetwing Symphony PLC	-	-	-	-	179,627	2,694	9.60	1,724
John Keells Hotels PLC	893,487	14,553	14.70	13,134	893,487	14,553	11.00	9,828
Palm Garden Hotels PLC	28,000	2,052	121.50	3,402	147,472	10,890	27.00	3,982
Tal Lanka Hotels PLC	447,400	30,043	22.10	9,888	447,400	30,043	16.90	7,561
Tangerine Beach Hotels PLC	52,500	5,256	66.00	3,465	50,000	5,056	46.30	2,315
The Fortress Resorts PLC	1,461,100	50,510	13.40	19,579	1,461,100	50,510	12.40	18,118
The Kandy Hotels Company (1938) PLC	175,000	1,617	8.40	1,470	-	-	-	-
The Kingsbury PLC	3,875,454	41,834	9.50	36,817	2,161,893	45,360	11.90	25,727
Trans Asia Hotels PLC	477,200	48,407	55.00	26,246	477,200	48,407	65.90	31,447
Waskaduwa Beach Resort PLC	1,500,000	6,340	3.70	5,550	500,000	2,270	3.90	1,950
Total of Consumer Services Sector		771,351		392,630		784,022		325,977

As at 31 December	Group							
	2021				2020			
	No. of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000	No. of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000
Diversified Financials								
Alliance Finance Company PLC	-	-	-	-	5,000	280	53.50	268
Asia Asset Finance PLC	399,999	4,252	8.40	3,360	349,999	3,803	9.10	3,185
Asia Capital PLC	-	-	-	-	50,443	393	6.70	338
Asiya Siyaka PLC	750,000	2,528	3.20	2,400	-	-	-	-
Central Finance Company PLC	48,205	5,722	93.00	4,483	52,199	6,291	83.00	4,333
Ceylon Guardian Investment Trust PLC	107,847	32,747	104.00	11,216	107,847	32,747	127.30	13,729
Ceylon Investment PLC	610,425	82,411	53.60	32,719	513,180	79,535	74.30	38,129
Citizens Development Business Finance PLC - Non-voting	-	-	-	-	9,543	824	65.00	620
Commercial Credit and Finance PLC	-	-	-	-	22,500	1,498	25.00	563
Commercial Leasing & Finance PLC	59,835	2,323	29.90	1,789	-	-	-	-
Guardian Capital Partners PLC	18,472	1,006	34.20	632	18,472	1,006	35.00	647
HNB Finance PLC-Non Voting	25,000	259	9.60	240	-	-	-	-
Lanka Credit & Business Finance PLC	500,000	2,260	3.90	1,950	-	-	-	-
LOLC Development Finance PLC	2,000	960	325.25	651	-	-	-	-
LOLC Finance PLC	200,000	5,168	20.00	4,000	285,000	1,083	3.60	1,026
LOLC Holdings PLC	-	-	-	-	7,500	1,043	135.00	1,013
Orient Finance PLC	30,000	378	16.00	480	275,000	3,467	11.80	3,245
People's Leasing & Finance PLC	211,538	3,000	10.70	2,263	-	-	-	-
People's Merchant Finance PLC	50,000	375	6.80	340	-	-	-	-
Sinhaputhra Finance PLC	-	-	-	-	242,000	1,692	4.80	1,162
Softlogic Finance PLC	67,215	3,532	13.00	874	67,215	3,532	11.70	786
Total of Diversified Financials Sector		146,921		67,397		137,194		69,044
Energy								
Lanka IOC PLC	-	-	-	-	694,235	18,143	22.40	15,551
Laugfs Gas PLC - Non voting	3,518,038	144,470	17.50	61,566	3,453,038	143,425	20.00	69,061
Total of Energy Sector		144,470		61,566		161,568		84,612
Food and Staples Retailing								
Cargills (Ceylon) PLC	100,000	23,200	215.25	21,525	1,484,124	267,267	205.00	304,245
Ceylon and Foreign Trades PLC	830,100	8,533	3.20	2,656	830,100	8,533	3.20	2,656
Total of Food and Staples Retailing Sector		31,733		24,181		275,800		306,901

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Group							
	2021				2020			
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Food, Beverage and Tobacco								
Agalawatte Plantations PLC	700,113	35,169	53.70	37,596	37,588	3,798	28.10	1,056
Bairaha Farms PLC	-	-	-	-	312,097	54,237	140.50	43,850
Balangoda Plantations PLC	-	-	-	-	27,063	1,970	16.10	436
Browns Investments PLC	-	-	-	-	2,250,000	8,638	4.30	9,675
Bukit Darah PLC	119,257	83,965	402.50	48,001	119,257	83,965	349.30	41,656
Carson Cumberbatch PLC	313,352	141,328	307.00	96,199	313,352	141,328	278.80	87,363
Ceylon Cold Stores PLC	17,500	11,653	530.00	9,275	24,439	16,027	704.60	17,220
Ceylon Tobacco Company PLC	143,175	137,098	878.00	125,708	143,175	137,098	1,028.90	147,313
Distilleries Company of Sri Lanka PLC	75,000	1,512	17.00	1,275	-	-	-	-
Horana Plantations PLC	465,700	39,720	30.10	14,018	513,000	43,752	22.40	11,491
HVA Foods PLC	150,000	1,302	6.70	1,005	-	-	-	-
Kahawatte Plantations PLC	708,674	28,666	27.60	19,559	756,484	30,600	31.00	23,451
Keells Food Products PLC	-	-	-	-	39,058	6,240	140.00	5,468
Kegalle Plantations PLC	-	-	-	-	50,600	13,703	89.00	4,503
Kotagala Plantations PLC	729,997	34,709	7.70	5,621	729,997	34,709	9.00	6,570
Kotmale Holdings PLC	633	253	444.25	281	-	-	-	-
Lucky Lanka Milk Processing PLC - Voting	3,514,546	20,958	1.10	3,866	3,514,546	20,958	1.10	3,866
Lucky Lanka Milk Processing PLC - Non Voting	91,900	276	0.80	74	91,900	276	0.80	74
Malwatte Valley Plantations PLC - Voting	25,000	700	28.00	700	-	-	-	-
Melstacorp PLC	467,238	26,402	56.10	26,212	-	-	-	-
Renuka Agri Foods PLC	-	-	-	-	100,000	510	4.70	470
Sunshine Holdings PLC	211	6	45.40	10	-	-	-	-
Total of Food, Beverage and Tobacco Sector		563,717		389,400		597,809		404,462
Health Care Equipment and Services								
Asiri Hospital Holdings PLC	300,000	9,742	32.50	9,750	500,000	15,476	34.50	17,250
Nawaloka Hospitals PLC	-	-	-	-	981,052	5,871	5.90	5,788
Singhe Hospital PLC	300,000	900	3.00	900	1,937,863	4,845	3.30	6,395
The Lanka Hospital Corporation PLC	411,773	25,009	54.90	22,606	309,949	20,545	53.40	16,551
Total of Health Care Equipment and Services Sector		35,651		33,256		46,737		45,984

As at 31 December	Group							
	2021				2020			
	No. of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000	No. of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000
Insurance								
Janashakthi Insurance Company PLC	82,500	2,683	30.70	2,533	82,500	2,683	30.00	2,475
Softlogic Capital PLC	-	-	-	-	325,000	1,664	3.90	1,268
Total of Insurance Sector		2,683		2,533		4,347		3,743
Materials								
ACL Plastics	5,146	2,431	570.75	2,937	-	-	-	-
ACME Printing and Packaging PLC	-	-	-	-	614,700	19,957	5.10	3,135
ChemaneX PLC	101,263	16,618	77.30	7,828	100,000	16,685	90.50	9,050
Chevron Lubricants Lanka PLC	1,272,121	161,138	113.00	143,750	838,038	117,586	108.00	90,508
CIC Holdings PLC - Voting	300,000	12,094	65.00	19,500	442,166	71,309	182.30	80,607
Dipped Products PLC	826,913	49,477	50.70	41,924	27,500	8,943	347.30	9,551
Haycarb PLC	55,000	5,333	76.80	4,224	-	-	-	-
Industrial Asphalts (Ceylon) PLC	-	-	-	-	5,000,000	1,500	0.30	1,500
Lanka Cement PLC	7,265,828	63,576	2.50	18,165	7,265,828	63,576	2.50	18,165
Piramal Glass Ceylon PLC	-	-	-	-	2,288,600	22,008	9.40	21,513
Swisstek (Ceylon) PLC	237,175	10,930	46.00	10,910	100,000	9,712	96.80	9,680
Tokyo Cement Co Ltd	1,324,941	86,484	49.70	65,850	-	-	-	-
Total of Materials Sector		408,081		315,088		331,276		243,709
Real Estate								
City Housing and Real Estate CO. PLC	38,435	190	3.60	138	38,435	190	3.60	138
Colombo Land and Development Company PLC	77,639	2,756	34.40	2,671	2,700	96	24.30	66
East West Properties PLC	350,000	4,243	10.40	3,640	-	-	-	-
Lee Hedges PLC	-	-	-	-	14,000	1,110	80.40	1,126
Millennium Housing Developers PLC	500,000	2,660	6.20	3,100	200,000	1,536	6.90	1,380
Overseas Realty (Ceylon) PLC	1,007,794	22,031	19.20	19,350	957,794	24,786	14.40	13,792
Property Development PLC	8,547	1,057	133.50	1,141	8,547	1,057	129.70	1,109
Seylan Developments PLC	-	-	-	-	100,000	1,424	14.40	1,440
Total of Real Estate Sector		32,937		30,040		30,199		19,051

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As at 31 December	Group							
	2021				2020			
	No. of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000	No. of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000
Retailing								
C M Holdings PLC	-	-	-	-	50,857	17,422	78.50	3,992
C. W. Mackie PLC	-	-	-	-	44,795	2,304	48.00	2,150
Diesel and Motor Engineering PLC	81,054	84,515	618.00	50,091	77,935	84,514	618.20	48,179
Eastern Merchants PLC	325,000	3,013	9.00	2,925	-	-	-	-
Hunters and Company PLC	18,000	14,561	650.00	11,700	27,100	21,924	748.50	20,284
John Keells PLC	250,200	22,758	71.90	17,989	250,200	22,758	61.50	15,387
Odel PLC	222,295	9,325	25.20	5,602	222,295	9,325	21.10	4,690
R I L Property PLC	-	-	-	-	250,000	2,484	8.60	2,150
Sathosa Motors PLC	13,194	5,111	201.50	2,659	13,194	5,111	271.60	3,584
United Motors Lanka PLC	152,000	14,220	93.10	14,151	542,177	50,484	79.00	42,832
Total of Retailing Sector		153,503		105,117		216,326		143,248
Telecommunication Services								
Dialog Axiata PLC	-	-	-	-	1,427,200	17,119	12.40	17,697
Sri Lanka Telecom PLC	224,000	7,896	38.80	8,691	214,000	7,496	33.50	7,169
Total of Telecommunication Services Sector		7,896		8,691		24,615		24,866
Transportation								
Expolanka Holdings PLC	-	-	-	-	500,000	11,840	29.00	14,500
Total of Transportation Sector		-		-		11,840		14,500
Utilities								
Laugfs Power PLC - non voting	1,397,831	917	8.50	11,882	1,297,831	-	7.40	9,604
Lotus Hydro Power PLC	-	-	-	-	75,000	819	10.60	795
LVL Energy Fund PLC	-	-	-	-	648,100	6,481	10.20	6,611
Panasian Power PLC	1,179,200	7,272	5.50	6,486	1,029,200	6,407	4.10	4,220
Resus Energy PLC	1,211,334	38,741	40.90	49,544	1,668,778	56,285	27.00	45,057
Vallibel Power Erathna PLC	100,000	870	8.60	860	1,667,050	13,970	7.90	13,170
Vidullanka PLC	-	-	-	-	50,000	299	6.00	300
Total of Utilities Sector		47,800		68,772		84,261		79,757
Total quoted equities		4,094,125		2,977,714		4,769,166		3,304,477

27.3 Quoted Debt Securities

As at 31 December	Group							
	2021				2020			
	No. of debenture	Cost of investment	Market price per debenture	Market value	No. of debenture	Cost of investment	Market price per debenture	Market value
	LKR '000	LKR	LKR '000	LKR '000	LKR '000	LKR	LKR '000	
Listed Debentures								
Hatton National Bank PLC	-	-	-	-	17,500	1,600	100.00	1,750
Total quoted debt securities						1,600		1,750

27.4 Units in Unit Trusts

As at 31 December	2021			2020		
	No. of units	Cost of investment	Market value	No. of units	Cost of investment	Market value
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Bank						
Ceybank Unit Trust	111,307,627	1,738,215	3,466,120	111,307,627	1,738,215	2,558,962
Ceybank Century Growth Fund	7,539,256	132,952	701,151	7,539,256	132,952	552,854
Ceybank Surekum Gilt Edged Fund	4,921	50	64	4,921	50	61
Total units in unit trusts		1,871,217	4,167,335		1,871,217	3,111,877
Group						
Ceybank Unit Trust	111,307,627	1,738,215	3,466,120	111,307,627	1,738,215	2,558,962
Ceybank Century Growth Fund	7,539,256	132,952	701,151	7,539,256	132,952	552,854
Ceybank Surekum Gilt Edged Fund	4,921	50	64	4,921	50	61
Comtrust Money Market Fund	289,530	2,777	3,597	289,530	2,777	3,419
First Capital Asset Management Limited	29,387	40,778	51,979	29,387	40,778	49,416
Total units in unit trusts		1,914,772	4,222,911		1,914,772	3,164,712

28 Loans and Advances to Customers

Accounting Policy

Loans and advances include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss
- Those that the Bank, upon initial recognition, designates as fair value through OCI
- Those for which the Bank may not recover substantially all of its initial investment, other than due to credit deterioration

“Loans and advances” are initially measured at fair value and subsequently measured at amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in “Interest income”(Note 8.1) in the Statement of Profit or Loss. The losses arising from impairment are recognised in “Impairment charge/(reversal) for loans and other losses” (Note 14) in the Statement of Profit or Loss.

NOTES TO THE FINANCIAL STATEMENTS

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.

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 continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. Further the Bank may consider modifications for original terms and conditions to retain customer, support customer or/ and expansions.

Expected Credit Loss (ECL)

The Bank's impairment provisioning method has fundamentally changed due to the adoption of SLFRS 9 by replacing LKAS 39 "Financial Instruments Recognition and Measurement" incurred loss approach with forward looking expected loss approach as mentioned in Note 4.4.11 to this Financial Statements. Accordingly, the Bank has recorded an expected credit loss allowance for all loans and other debt financial assets except which are held at FVPL, together with loan commitments and financial guarantee contracts which are commonly referred to as "financial instruments".

The ECL allowance is based on the credit losses expected to arise over the life of the asset, the Lifetime Expected Credit Loss (LTECL) as outlined in Notes 4.4.11.2 and 4.4.11.3, if there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 4.4.11.1 to the Financial Statements. The Bank's policies for determining whether there has been a significant increase in credit risk are set out in this note.

Both LTECLs and 12mECLs are calculated either on an individual basis or on collective basis, depending on the nature and size of the underlying portfolio of financial instruments. The Bank's policy for grouping financial instruments measured on a collective basis is explained in Note 4.4.11.5.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank grouped its loans into Stage 1, Stage 2 and Stage 3 as described in Note 4.4.11.1 to 4.4.11.3 to this Financial Statements.

For financial assets in respect of which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced.

The components 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 $ECL_{12} = \frac{EAD_{12M} * PD_{12M} * LGD_T * EFA_{12M}}{(1 + EIR)^n}$
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 $ECL_{LT} = \frac{\sum_t EAD_{LT} * PD_{LT} * LGD_T * EFA_n}{(1 + EIR)} + \dots + \frac{EAD_{LT} * PD_{(LT-t)} * LGD_T * EFA_n}{(1 + EIR)^n}$
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%. $ECL_{LT} = EAD_T * 100\% * LGD_T$

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 commitments, ECLs are calculated and presented together with the loan and loan commitments.

Financial Guarantee Contracts

The Bank’s liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of profit or loss, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios.

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Revolving Facilities

The Bank's product offering includes a variety of corporate and retail facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice (eg: Overdraft and Credit Card). The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's delinquency.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made on an individual basis for individually significant loans and on a collective basis for other loans. The collective assessments are made separately for portfolios of facilities with similar homogeneous characteristics.

Forward Looking Information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Interest rate
- Inflation
- Exchange rate
- Unemployment rates

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 unlikelihood 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 and External Credit Assessment Institution (ECAI).
- A two-notch downgrade under the Bank's internal rating.
- Reasonable and supportable forecasts of future economic conditions show a direct negative impact on the 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 foreseeable 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 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.

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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.

28.1 Financial Assets at Amortised Cost - Loans and Advances

As at 31 December	Bank		Group	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Gross loans and advances	2,576,668,173	2,115,204,744	2,612,567,332	2,148,747,485
Stage 1	2,170,496,529	1,786,211,706	2,186,408,859	1,801,797,522
Stage 2	155,013,917	121,469,096	159,836,766	126,232,816
Stage 3	251,157,727	207,523,942	266,321,707	220,717,147
Less : Accumulated Provision for impairment under:	162,905,882	126,795,737	166,237,003	130,353,755
Stage 1 [Note 28.2]	24,417,936	11,640,862	24,541,662	11,846,679
Stage 2 [Note 28.2]	15,122,165	11,447,964	15,247,177	11,678,868
Stage 3 [Note 28.2]	123,365,781	103,706,911	126,448,164	106,828,208
Net loans and advances	2,413,762,291	1,988,409,007	2,446,330,329	2,018,393,730

28.1.1 Analysis of Gross Loans and Advances - By Product

As at 31 December	Bank					
	2021			2020		
	Local currency loans LKR '000	Foreign currency loans LKR '000	Total LKR '000	Local currency loans LKR '000	Foreign currency loans LKR '000	Total LKR '000
Term loans	683,740,104	505,852,356	1,189,592,460	650,337,989	415,154,357	1,065,492,346
Housing loans	79,420,418	367,703	79,788,121	77,822,934	388,837	78,211,771
Trade finance	41,550,553	46,478,224	88,028,777	43,251,289	43,688,323	86,939,612
Personal loans	446,225,539	-	446,225,539	375,931,300	-	375,931,300
Overdrafts	552,351,927	35,597,630	587,949,557	309,022,965	31,029,463	340,052,428
Credit cards	6,151,267	-	6,151,267	5,397,818	-	5,397,818
Lease rental receivables [Note 28.4]	24,150,424	-	24,150,424	31,958,992	218,654	32,177,646
Pawning	82,975,731	-	82,975,731	74,853,575	-	74,853,575
Foreclosed properties	3,084,102	5,135	3,089,237	2,398,252	2,975	2,401,227
Staff loans	23,528,091	16,247	23,544,338	22,011,830	10,323	22,022,153
Other	40,217,888	4,954,834	45,172,722	27,925,566	3,799,302	31,724,868
Gross Loans and Advances	1,983,396,044	593,272,129	2,576,668,173	1,620,912,510	494,292,234	2,115,204,744

As at 31 December	Group					
	2021			2020		
	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	688,030,779	510,774,683	1,198,805,462	652,349,424	418,450,922	1,070,800,346
Housing loans	79,459,457	367,703	79,827,160	79,253,538	388,837	79,642,375
Trade finance	45,133,465	48,231,867	93,365,332	44,212,949	44,136,273	88,349,222
Personal loans	448,254,975	-	448,254,975	377,281,078	-	377,281,078
Overdrafts	552,155,012	35,912,095	588,067,107	308,799,265	31,559,101	340,358,366
Credit cards	6,151,267	-	6,151,267	5,397,818	-	5,397,818
Lease rental receivables [Note 28.4]	37,846,935	-	37,846,935	50,977,005	218,654	51,195,659
Pawning	88,230,314	-	88,230,314	78,679,236	-	78,679,236
Foreclosed properties	3,084,102	5,135	3,089,237	2,398,252	2,975	2,401,227
Staff loans	23,737,202	19,619	23,756,821	22,904,576	12,714	22,917,290
Other	40,217,888	4,954,834	45,172,722	27,925,566	3,799,302	31,724,868
Gross Loans and Advances	2,012,301,396	600,265,936	2,612,567,332	1,650,178,707	498,568,778	2,148,747,485

28.1.2 Analysis of Gross Loans and Advances - By Currency

As at 31 December	Bank		Group	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Sri Lankan Rupees	1,983,396,044	1,620,912,510	2,012,301,396	1,650,178,707
United States Dollar	571,296,516	475,163,648	573,050,159	475,233,917
Great Britain Pound	657,919	600,674	5,898,083	4,806,948
Maldivian Rufiyaa	11,333,591	9,804,334	11,333,591	9,804,334
Euro	1,082,920	479,274	1,082,920	479,274
Indian Rupee	7,572,335	7,362,504	7,572,335	7,362,504
Seychelles Rupee	1,294,368	856,884	1,294,368	856,884
Other	34,480	24,916	34,480	24,917
Gross Loans and Advances	2,576,668,173	2,115,204,744	2,612,567,332	2,148,747,485

NOTES TO THE FINANCIAL STATEMENTS

28.2 Movement in Provision for Impairment during the year

	Bank		Group	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Movement in Stage 1 Impairment				
Balance as at 1 January	11,640,862	6,954,029	11,846,679	7,087,327
Charge/ (Reversal) during the year	12,675,143	4,623,993	12,593,052	4,593,426
Amount recovered / reversal during the year	-	-	-	-
Exchange rate variance on foreign currency impairment	101,931	62,840	101,931	62,840
Amount written-off during the year	-	-	-	-
Other movements	-	-	-	103,086
Balance as at 31 December	24,417,936	11,640,862	24,541,662	11,846,679

	Bank		Group	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Movement in Stage 2 Impairment				
Balance as at 1 January	11,447,964	9,530,117	11,678,868	9,646,175
Charge/ (Reversal) during the year	3,521,857	1,997,984	3,415,965	2,040,650
Amount recovered / reversal during the year	-	-	-	-
Exchange rate variance on foreign currency impairment	152,344	(80,137)	152,344	(80,136)
Amount written-off during the year	-	-	-	-
Other movements	-	-	-	72,179
Balance as at 31 December	15,122,165	11,447,964	15,247,177	11,678,868

	Bank		Group	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Movement in Stage 3 Impairment				
Balance as at 1 January	103,706,911	82,471,572	106,828,208	84,906,593
Charge/ (Reversal) during the year	26,393,611	29,773,712	26,502,443	30,463,279
Amount recovered/ reversal during the year	(7,163,198)	(8,440,687)	(7,163,198)	(8,440,687)
Exchange rate variance on foreign currency impairment	428,457	(97,686)	428,457	(97,687)
Amount written-off during the year	(76,971)	(1,001)	(76,971)	(3,826)
Other movements	76,971	1,001	(70,775)	536
Balance as at 31 December	123,365,781	103,706,911	126,448,164	106,828,208

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Movement in Total Impairment				
Balance as at 1 January	126,795,737	98,955,718	130,353,755	101,640,095
Charge/ (Reversal) during the year	42,590,611	36,395,689	42,511,460	37,097,355
Amount recovered/ reversal during the year	(7,163,198)	(8,440,687)	(7,163,198)	(8,440,687)
Exchange rate variance on foreign currency impairment	682,732	(114,983)	682,732	(114,983)
Amount written-off during the year	(76,971)	(1,001)	(76,971)	(3,826)
Other movements	76,971	1,001	(70,775)	175,801
Balance as at 31 December	162,905,882	126,795,737	166,237,003	130,353,755

28.3 Sensitivity Factors Used to Calculate Impairment Provision

	Sensitivity	Sensitivity Effect on Impairment Provisions	
		2021 LKR '000	2020 LKR '000
Change in Loss Given Default (LGD)	1%	5,233,770	3,775,248
	-1%	(5,233,770)	(3,775,248)
Change in Economic Factor Adjustment (EFA)	Worst case degrades by 5%	379,797	341,875
	Worst case upgrades by 5%	(379,160)	(150,328)
Change in Deemed Closed Period	Advanced by one year	2,702,782	2,518,712
	Deferred by one year	(1,809,974)	(1,686,708)

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	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
As at 31 December				
Gross lease rental receivables				
Within one year	11,920,246	16,980,108	18,608,059	23,466,599
One to five years	17,919,803	21,151,596	22,730,883	31,754,262
More than five years	102,794	185,895	409,228	185,895
	29,942,843	38,317,599	41,748,170	55,406,756
Less : Unearned finance income	5,792,419	6,139,953	3,901,235	4,211,097
Gross lease rentals receivables	24,150,424	32,177,646	37,846,935	51,195,659
Less : Provision for impairment losses	736,549	1,378,431	2,486,316	3,191,120
Net lease rental receivables	23,413,875	30,799,215	35,360,619	48,004,539

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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. 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	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Government securities				
Treasury bills	-	33,058,567	123,011	33,058,563
Treasury bonds	847,653,307	466,475,250	847,653,307	466,476,769
Sri Lanka sovereign bonds	49,107,401	48,511,983	49,623,412	48,781,615
Sri Lanka Development Bonds [Note 29.4]	162,626,977	154,162,902	162,626,977	154,162,902
Government of Sri Lanka Restructuring Bonds [Note 29.5]	8,968,474	8,968,474	8,968,474	8,968,474
Debentures [Note 29.6]	4,132,444	4,121,521	4,132,444	4,121,521
Trust certificates [Note 29.7]	-	153,384	-	153,384
Government securities - In Maldives	23,490,354	14,431,928	23,490,354	14,431,928
Corporate bonds	-	-	-	686,390
Other Investments	-	-	77,173	278,617
Gross financial assets at amortised cost - debt and other instruments	1,095,978,957	729,884,009	1,096,695,152	731,120,163
Less-Accumulated impairment [Note 29.3]	13,799,081	5,493,837	13,857,490	5,540,578
Net financial assets at amortised cost - debt and other instruments	1,082,179,876	724,390,172	1,082,837,662	725,579,585

29.1 Analysis of Financial Assets at Amortised Cost - Debt and Other Instruments - By Currency

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Sri Lankan Rupee	860,754,225	512,777,196	860,954,409	511,850,573
United States Dollar	211,734,378	202,674,885	212,250,389	204,151,268
Great Britain Pound	-	-	-	686,390
Maldivian Rufiyaa	23,490,354	14,431,928	23,490,354	14,431,928
Total	1,095,978,957	729,884,009	1,096,695,152	731,120,159

29.2 Analysis of Financial Assets at Amortised Cost - Debt and Other Instruments based on Exposure to Credit Risk

As at 31 December	Bank				
	2021			2020	
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Total LKR '000
Sri Lanka sovereign bonds	49,107,401	-	-	49,107,401	48,511,983
Sri Lanka Development Bonds	162,626,977	-	-	162,626,977	154,162,902
Debentures	4,104,130	-	28,314	4,132,444	4,121,521
Trust certificates	-	-	-	-	153,384
Government securities - In Maldives	23,490,354	-	-	23,490,354	14,431,928
	239,328,862	-	28,314	239,357,176	221,381,718
Less : Accumulated impairment	13,770,767	-	28,314	13,799,081	5,493,837
Total	225,558,095	-	-	225,558,095	215,887,881

As at 31 December	Group				2020 Total LKR '000
	2021				
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	
Sri Lanka sovereign bonds	49,623,412	-	-	49,623,412	48,781,615
Sri Lanka Development Bonds	162,626,977	-	-	162,626,977	154,162,902
Debentures	4,104,130	-	28,314	4,132,444	4,121,521
Trust certificates	-	-	-	-	153,384
Government securities - In Maldives	23,490,354	-	-	23,490,354	14,431,928
Corporate bonds	-	-	-	-	686,390
Other Investments	77,173	-	-	77,173	278,617
	239,922,046	-	28,314	239,950,360	222,616,357
Less : Accumulated impairment	13,829,176	-	28,314	13,857,490	5,540,578
Total	226,092,870	-	-	226,092,870	217,075,779

29.3 Movement in Provision for Impairment During the Year

	Bank		Group	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Movement in Stage 1 Impairment				
Balance as at 1 January	5,465,523	2,147,719	5,512,264	2,181,124
Charge/(Reversal) during the year	8,305,244	3,317,804	8,316,912	3,331,140
Balance as at 31 December	13,770,767	5,465,523	13,829,176	5,512,264

	Bank		Group	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Movement in Stage 3 Impairment				
Balance as at 1 January	28,314	26,212	28,314	26,212
Charge/(Reversal) during the year	-	2,102	-	2,102
Balance as at 31 December	28,314	28,314	28,314	28,314

	Bank		Group	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Movement in Total Impairment				
Balance as at 1 January	5,493,837	2,173,931	5,540,578	2,207,336
Charge/(Reversal) during the year	8,305,244	3,319,906	8,316,912	3,333,242
Balance as at 31 December	13,799,081	5,493,837	13,857,490	5,540,578

NOTES TO THE FINANCIAL STATEMENTS

29.4 Sri Lanka Development Bonds (US Dollar bonds)

As at 31 December	Date of maturity	Bank/Group			
		2021		2020	
		Cost of investment LKR '000	Amortised cost LKR '000	Cost of investment LKR '000	Amortised cost LKR '000
Fixed Rate					
Sri Lanka Development Bonds - Fixed Rate 5.25%	01.05.2021	-	-	129,328,145	130,468,705
Sri Lanka Development Bonds - Fixed Rate 5.85%	15.08.2021	-	-	932,041	953,017
Sri Lanka Development Bonds - Fixed Rate 5.90%	15.08.2021	-	-	932,041	953,196
Sri Lanka Development Bonds - Fixed Rate 5.95%	15.08.2021	-	-	932,041	953,375
Sri Lanka Development Bonds - Fixed Rate 6.00%	15.08.2021	-	-	932,041	953,553
Sri Lanka Development Bonds - Fixed Rate 6.69%	22.01.2022	3,006,507	3,097,401	2,796,123	2,880,657
Sri Lanka Development Bonds - Fixed Rate 7.40%	17.02.2022	38,082,422	39,149,765	-	-
Sri Lanka Development Bonds - Fixed Rate 5.70%	01.05.2022	1,002,169	1,011,758	932,041	940,959
Sri Lanka Development Bonds - Fixed Rate 5.75%	01.05.2022	1,002,169	1,011,841	932,041	941,036
Sri Lanka Development Bonds - Fixed Rate 5.80%	01.05.2022	1,002,169	1,011,924	932,041	941,114
Sri Lanka Development Bonds - Fixed Rate 5.85%	01.05.2022	1,002,169	1,012,008	932,041	941,191
Sri Lanka Development Bonds - Fixed Rate 5.90%	01.05.2022	1,002,169	1,012,091	932,041	941,269
Sri Lanka Development Bonds - Fixed Rate 7.60%	01.08.2022	30,065,070	31,033,041	-	-
Sri Lanka Development Bonds - Fixed Rate 5.75%	01.05.2023	1,002,169	1,011,841	932,041	941,036
Sri Lanka Development Bonds - Fixed Rate 7.75%	01.05.2023	30,065,070	30,454,891	-	-
Sri Lanka Development Bonds - Fixed Rate 7.95%	01.05.2024	40,086,760	40,619,761	-	-
Floating Rate					
6 months LIBOR plus 350 basis points	22.01.2022	1,002,169	1,018,722	932,041	948,240
6 months LIBOR plus 355 basis points	22.01.2022	1,002,169	1,018,948	932,041	948,450
6 months LIBOR plus 365 basis points	22.01.2022	1,002,169	1,019,401	932,041	948,871
6 months LIBOR plus 375 basis points	22.01.2022	1,002,169	1,019,854	932,041	949,292
6 months LIBOR plus 380 basis points	16.03.2022	1,002,169	1,013,881	932,041	943,281
6 months LIBOR plus 385 basis points	16.03.2022	1,002,169	1,014,029	932,041	943,419
6 months LIBOR plus 385 basis points	17.03.2022	2,004,338	2,027,838	1,864,082	1,886,617
6 months LIBOR plus 370 basis points	22.01.2023	1,002,169	1,019,627	932,041	949,082
6 months LIBOR plus 375 basis points	22.01.2023	1,002,169	1,019,854	932,041	949,292
6 months LIBOR plus 390 basis points	16.03.2023	1,002,169	1,014,177	932,041	943,556
6 months LIBOR plus 395 basis points	16.03.2023	1,002,169	1,014,324	932,041	943,694
Total Sri Lanka Development Bonds		159,344,871	162,626,977	152,629,170	154,162,902

29.5 Government of Sri Lanka Restructuring Bonds

As at 31 December	Bank/Group							
					2021		2020	
	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	12.00	24.03.1993	24.03.2023	4,780,000	5,015,714	4,780,000	5,015,714	
For settlement of loans	12.00	24.03.1993	24.03.2023	3,767,000	3,952,760	3,767,000	3,952,760	
Total Government of Sri Lanka Restructuring Bonds				8,547,000	8,968,474	8,547,000	8,968,474	

29.6 Debentures

As at 31 December	Bank/Group							
					2021		2020	
	Date of maturity	Coupon rate %	No of debentures	Cost of investment	Amortised cost	No of debentures	Cost of investment	Amortised cost
				LKR '000	LKR '000		LKR '000	LKR '000
Ceylon Electricity Board	15.04.2026	9.35	4,601,000	460,100	490,894	-	-	-
Citizen Development Business Finance PLC	03.06.2021	12.75	-	-	-	500,000	50,000	50,491
Citizen Development Business Finance PLC	27.03.2023	14.20	2,000,000	200,000	221,498	2,000,000	200,000	221,627
Commercial Bank of Ceylon PLC	08.03.2021	10.75	-	-	-	1,000,000	100,000	103,326
Commercial Bank of Ceylon PLC	27.10.2021	12.00	-	-	-	779,600	77,960	79,573
Commercial Credit and Finance PLC	04.03.2026	9.00	1,000,000	100,000	107,365	-	-	-
DFCC Bank PLC	09.11.2021	12.15	-	-	-	1,892,800	189,280	192,393
DFCC Bank PLC	29.03.2025	13.00	2,250,000	225,000	246,777	2,250,000	225,000	246,757
Hatton National Bank PLC	28.03.2021	11.25	-	-	-	1,000,000	100,000	108,452
Hatton National Bank PLC	01.11.2023	13.00	193,300	19,330	19,722	193,300	19,330	19,722
Hayleys PLC	31.07.2023	12.50	2,500,000	250,000	263,120	2,500,000	250,000	263,121
Hayleys PLC	26.08.2024	7.82	1,000,000	100,000	102,727	1,000,000	100,000	103,408
Hayleys PLC	26.08.2024	13.00	1,811,500	181,150	189,281	1,811,500	181,150	189,269
Kotagala Plantations PLC	31.08.2025	7.50	N/A	12,448	12,537	165,975	16,598	16,284
Kotagala Plantations PLC	31.08.2025	7.50	N/A	13,278	13,688	165,975	16,598	17,332
Lanka Orix Leasing Company PLC	30.07.2022	13.00	2,500,000	250,000	263,613	2,500,000	250,000	263,837
Lanka Orix Leasing Company PLC	27.09.2024	15.00	1,250,000	125,000	131,064	250,000	25,000	25,946
Lanka Orix Leasing Company PLC	24.02.2026	10.25	1,300,000	130,000	141,476	-	-	-
LB Finance PLC	11.12.2022	12.75	2,500,000	250,000	267,790	2,500,000	250,000	251,724
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	16.11.2021	12.60	-	-	-	2,000,000	200,000	203,031
People's Leasing and Finance PLC	18.04.2023	12.80	2,500,000	250,000	272,121	2,500,000	250,000	272,117
People's Leasing and Finance PLC	05.08.2026	9.00	999,915	99,992	103,547	-	-	-

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As at 31 December	Bank/Group							
	2021				2020			
	Date of maturity	Coupon rate %	No. of debentures	Cost of investment LKR '000	Amortised cost LKR '000	No. of debentures	Cost of investment LKR '000	Amortised cost LKR '000
Sampath Bank PLC	10.06.2021	12.75	-	-	-	1,500,000	150,000	160,401
Sampath Bank PLC	21.12.2022	12.50	2,270,000	227,000	227,564	2,270,000	227,000	227,391
Sampath Bank PLC	20.03.2023	12.50	2,500,000	250,000	258,704	2,500,000	250,000	258,704
Seylan Bank PLC	15.07.2021	13.00	-	-	-	451,600	45,160	47,871
Seylan Bank PLC	29.03.2023	12.85	2,500,000	250,000	258,128	2,500,000	250,000	258,054
Sri Lanka Telecom PLC	19.04.2028	12.75	5,000,000	500,000	512,514	5,000,000	500,000	512,376
Total debentures				3,918,776	4,132,444		3,948,554	4,121,521

29.7 Trust Certificates

As at 31 December	Bank/Group			
	2021		2020	
	Cost of investment LKR '000	Amortised cost LKR '000	Cost of investment LKR '000	Amortised cost LKR '000
Citizen Development Bank	-	-	81,136	108,579
Softlogic Finance PLC	-	-	32,500	44,805
Total trust certificates	-	-	113,636	153,384

30 Financial Assets Measured at Fair Value Through OCI

Financial assets measured at fair value through OCI include equity instruments which are elected fair value through OCI option at the initial recognition and debt instruments which contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

All Financial assets measured at fair value through OCI are initially and subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity in the 'OCI reserve' through Other Comprehensive Income. When the debt instrument under FVTOCI is disposed off, the cumulative gain or loss previously recognised in OCI reserve is recognised in the Statement of Profit or Loss and reflected in "Net gains/ (losses) from derecognition of financial assets" (Note 12). 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.

As at 31 December	Bank		Group	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Government Securities in Sri Lanka				
Treasury bills	-	38,421	2,988,742	1,282,857
Treasury bonds	11,540,898	9,311,619	11,911,292	9,431,278
Government Securities in India	1,780,868	1,594,471	1,780,868	1,594,471
Quoted equities [Note 30.2]	2,749,598	2,329,969	3,940,622	3,494,494
Unquoted Equities [Note 30.3]	2,231,192	2,088,000	2,258,286	2,110,678
Total financial assets measured at FVTOCI	18,302,556	15,362,480	22,879,810	17,913,778

30.1 By Currency

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Sri Lankan Rupee	14,525,509	11,912,579	19,102,763	14,463,877
United States Dollar	1,996,179	1,855,430	1,996,179	1,855,430
Indian Rupee	1,780,868	1,594,471	1,780,868	1,594,471
Total	18,302,556	15,362,480	22,879,810	17,913,778

30.2 Quoted Equities

As at 31 December	2021			2020		
	No. of ordinary shares	Cost of investment LKR '000	Market value LKR '000	No. of ordinary shares	Cost of investment LKR '000	Market value LKR '000
Bank						
National Development Bank PLC	28,384,288	1,731,768	1,955,677	19,454,400	1,062,026	1,519,389
People's Leasing & Finance PLC	13,070,891	227,439	139,859	11,800,434	211,090	146,325
Seylan Bank PLC	14,865,044	583,292	654,062	14,440,329	561,631	664,255
Total quoted equities		2,542,499	2,749,598		1,834,747	2,329,969
Group						
Asiri Hospitals Holdings PLC	30	30	1	30	30	2
Ceylinco Insurance PLC	26	26	59	26	26	52
Hatton National Bank PLC	18	18	2	18	18	2
LVL Energy Fund PLC	2,500,000	20,000	20,000	2,500,000	20,000	25,500
National Development Bank PLC	28,384,288	1,731,768	1,955,677	19,454,400	1,062,026	1,519,389
People's Leasing and Finance PLC	13,070,891	227,439	139,859	11,800,434	211,090	146,325
Seylan Bank PLC	14,865,044	583,292	654,062	14,440,329	561,631	664,255
Lanka Hospital Corporation PLC	21,329,000	213,290	1,170,962	21,329,000	213,290	1,138,969
Total quoted equities		2,775,863	3,940,622		2,068,111	3,494,494

NOTES TO THE FINANCIAL STATEMENTS

30.3 Unquoted Equities

As at 31 December	2021			2020		
	No. of ordinary shares	Cost of investment	Market value	No. of ordinary shares	Cost of investment	Market value
		LKR '000	LKR '000		LKR '000	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	2,100,000	21,000	21,000
Lanka Financial Services Bureau Limited	500,000	5,000	5,000	500,000	5,000	5,000
MasterCard Incorporated	17,200	-	1,238,742	17,200	-	1,144,429
Regional Development Bank	16,448,448	162,300	162,300	16,448,448	162,300	162,300
Visa Inc.	17,438	-	757,437	17,438	-	711,001
		235,013	2,231,192		232,570	2,088,000
Fair value adjustment		1,996,179			1,855,430	
Less - Provision for impairment [Note 30.4]		-			-	
Total unquoted equities		2,231,192	2,231,192		2,088,000	2,088,000
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	2,100,000	21,000	21,000
Lanka Financial Services Bureau Limited	500,000	5,000	5,000	500,000	5,000	5,000
MasterCard Incorporated	17,200	-	1,238,742	17,200	-	1,144,429
Mega Containers Limited	1,000,000	10,000	21,786	1,000,000	10,000	21,786
Regional Development Bank	16,448,448	162,300	162,300	16,448,448	162,300	162,300
Ranwan Industries (Private) Limited	165,790	3,600	-	165,790	3,600	-
San Michele Limited	50,000	500	-	50,000	500	-
UB Finance Company Limited	2,506,562	17,546	5,254	2,506,562	17,546	838
Visa Inc.	17,438	-	757,437	17,438	-	711,001
		271,713	2,258,286		269,270	2,110,678
Fair value adjustment		2,007,965			1,867,216	
Less - Provision for impairment [Note 30.4]		21,392			25,808	
Total unquoted equities		2,258,286	2,258,286		2,110,678	2,110,678

30.4 Movement in Provision for Impairment During the Year

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Movement in Stage 1 Impairment				
Balance as at 1 January	-	-	25,808	25,804
Charge/ (Reversal) during the year	-	-	(4,416)	4
Write-off during the year	-	-	-	-
Balance at 31 December	-	-	21,392	25,808

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Movement in Total Impairment				
Balance as at 1 January	-	-	25,808	25,804
Charge/ (Reversal) during the year	-	-	(4,416)	4
Write-off during the year	-	-	-	-
Balance at 31 December	-	-	21,392	25,808

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.

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	Bank	
	2021 LKR '000	2020 LKR '000
Investment in quoted subsidiaries [Note 31.3]	4,783,042	3,114,952
Investment in unquoted subsidiaries [Note 31.4]	3,798,096	3,798,096
Total investment in subsidiaries	8,581,138	6,913,048
Less : Provision for impairment of investment in subsidiaries [Note 31.2]	400,000	400,000
Carrying value of investment in subsidiary companies	8,181,138	6,513,048

NOTES TO THE FINANCIAL STATEMENTS

31.1 Movement in Investment in Subsidiary Companies

	Bank	
	2021	2020
As at 31 December	LKR '000	LKR '000
Balance as at 1 January	6,913,048	6,913,048
Increase/ (Decrease) in investments	1,668,090	-
Balance as at 31 December	8,581,138	6,913,048

31.2 Provision for Impairment of Investment in Subsidiaries*

	Bank	
	2021	2020
As at 31 December	LKR '000	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			
	2021		2020	
	Cost LKR '000	Market Value LKR '000	Cost LKR '000	Market Value LKR '000
Property Development PLC (63,064,957 Ordinary shares)	860,270	8,419,172	860,270	8,179,525
Merchant Bank of Sri Lanka and Finance PLC (401,577,368 Ordinary shares)	3,922,772	2,369,306	2,254,682	926,717
Total investment in quoted subsidiaries	4,783,042	10,788,478	3,114,952	9,106,242

31.4 Investment in Unquoted Subsidiaries

	Bank			
	2021		2020	
	Cost LKR '000	Directors' Valuation LKR '000	Cost LKR '000	Directors' Valuation LKR '000
BOC Management and Support Services (Private) Limited (99,996 Ordinary shares)	1,000	1,000	1,000	1,000
BOC Property Development and Management (Private) Limited (100,999,998 Ordinary shares)	1,010,000	1,010,000	1,010,000	1,010,000
BOC Travels (Private) Limited (250,004 Ordinary shares)	2,500	2,500	2,500	2,500
Bank of Ceylon (UK) Limited (15,000,000 Ordinary shares)	2,683,859	2,283,859	2,683,859	2,283,859
Hotels Colombo (1963) Limited (10,073,667 Ordinary shares)	100,737	100,737	100,737	100,737
Total investment in unquoted subsidiaries	3,798,096	3,398,096	3,798,096	3,398,096

31.5 Information Relating to Subsidiaries of the Bank

As at 31 December	Ownership interest held by the Bank	
	2021 %	2020 %
Quoted subsidiaries		
Property Development PLC (PDL)	95.55	95.55
Merchant Bank of Sri Lanka and Finance PLC (MBSL)	84.50	74.49
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	40.08
Koladeniya Hydropower (Private) Limited (KHP)	-	95.55
Bank of Ceylon (UK) Limited (BOC UK)	100.00	100.00

Note :

Merchant Bank of Sri Lanka & Finance PLC has issued LKR 2.2 billion worth of new ordinary shares under a right issue and the Bank and its fully owned subsidiary Property Development and Management (Private) Limited has invested in this share issue and the Group share holding of MBSL increased to 84.50%.

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.

31.6 Non-Controlling Interest (NCI) of Subsidiaries

	2021				
	PDL	MBSL	MBSL INS	KHP	HCL
Equity interest held by the NCI (%)	4.45	15.50	54.53	-	0.01
Profit/ (Loss) allocated during the year (LKR '000)	28,924	127,659	(20,076)	-	(12)
Accumulated balance of NCI as at 31 December (LKR '000)	394,037	722,295	473,127	-	(13)
Dividends paid to NCI (LKR '000)	10,280	-	-	-	-
	2020				
	PDL	MBSL	MBSL INS	KHP	HCL
Equity interest held by the NCI (%)	4.45	25.51	59.92	4.45	0.01
Profit/ (Loss) allocated during the year (LKR '000)	24,276	(311,896)	(245,121)	(2,362)	(5)
Accumulated balance of NCI as at 31 December (LKR '000)	258,002	433,710	563,505	12,565	5
Dividends paid to NCI (LKR '000)	14,676	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

31.7 Summarised Financial Information of Subsidiaries

	2021				
	PDL LKR '000	MBSL LKR '000	MSS LKR '000	PDML LKR '000	TRAVELS LKR '000
For the year ended 31 December					
Statement of Profit or Loss for the year					
Total income	1,161,681	5,971,065	-	396,432	474,984
Profit/ (Loss) before tax	787,678	923,446	-	254,599	(27,517)
Profit/ (Loss) after tax	649,978	823,605	-	187,689	(27,517)
Other comprehensive income	35,890	58,574	-	(4,001)	-
Total comprehensive income	685,868	882,179	-	183,688	(27,517)
Statement of Financial Position as at 31 December					
Total assets	5,339,763	34,400,248	1,470	2,112,365	309,494
Total liabilities	730,432	29,898,228	470	103,427	138,109
Net assets	4,609,331	4,502,020	1,000	2,008,938	171,385
Dividend paid	231,000	-	-	114,130	-
Statement of Cash Flows for the year					
Operating cash flows	578,956	(3,835,271)	-	144,728	(35,234)
Investing cash flows	1,144,477	1,878,702	-	(35,423)	(2,123)
Financing cash flows	(228,982)	1,445,713	-	(101,000)	(3,424)
Net increase/ (decrease) in cash and cash equivalents	142,492	(510,856)	-	8,305	(40,781)
For the year ended 31 December					
2020					
	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	1,117,293	5,194,447	-	421,305	230,733
Profit/ (Loss) before tax	761,825	(1,049,928)	-	291,480	(58,598)
Profit/ (Loss) after tax	545,536	(830,640)	-	224,999	(58,598)
Other comprehensive income	270,571	(33,763)	-	555	-
Total comprehensive income	816,107	(864,403)	-	225,554	(58,598)
Statement of Financial Position as at 31 December					
Total assets	5,005,518	32,638,021	1,470	2,050,868	315,194
Total liabilities	781,228	30,894,630	470	113,116	118,354
Net assets	4,224,290	1,743,391	1,000	1,937,752	196,840
Dividend paid	330,000	-	-	116,150	3,000
Statement of Cash Flows for the year					
Operating cash flows	457,395	(56,705)	-	176,822	(30,510)
Investing cash flows	(321,522)	1,652,695	-	(69,992)	(1,696)
Financing cash flows	(327,166)	(2,226,195)	-	(116,060)	(3,000)
Net increase/ (decrease) in cash and cash equivalents	(191,293)	(630,205)	-	(9,230)	(35,206)

For the year ended 31 December		2021			
	HCL	HH	MBSL INS	KHP	BoC UK
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Statement of Profit or Loss for the year					
Total income	29,265	56,599	646,883	5,833	639,637
Profit/ (Loss) before tax	(116,665)	(25,601)	(53,766)	(7,183)	18,756
Profit / (Loss) after tax	(116,665)	(25,601)	(53,766)	(7,183)	18,756
Other comprehensive income	-	-	(8,922)	-	331,649
Total comprehensive income	(116,665)	(25,601)	(62,688)	(7,183)	350,405
Statement of Financial Position as at 31 December					
Total assets	215,876	42,145	2,605,090	-	13,239,850
Total liabilities	350,006	106,161	1,636,845	-	9,449,270
Net assets	(134,130)	(64,016)	968,245	-	3,790,580
Dividend paid	-	-	-	-	-
Statement of Cash Flows for the year					
Operating cash flows	(17,234)	2,223	28,320	44,208	29,910
Investing cash flows	(6,962)	(591)	12,907	13,496	(4,869)
Financing cash flows	(1,300)	-	-	(54,250)	-
Net increase/ (decrease) in cash and cash equivalents	(25,496)	1,632	41,227	3,454	25,041
For the year ended 31 December		2020			
	HCL	HH	MBSL INS	KHP	BoC UK
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Statement of Profit or Loss for the year					
Total income	73,042	65,761	478,954	52,741	597,718
Profit/ (Loss) before tax	(110,800)	(27,002)	(61,375)	(65,702)	4,001
Profit / (Loss) after tax	(46,953)	(27,002)	(276,970)	(53,078)	4,001
Other comprehensive income	-	-	11,191	(130)	221,688
Total comprehensive income	(46,953)	(27,002)	(265,779)	(53,208)	225,689
Statement of Financial Position as at 31 December					
Total assets	336,225	58,082	2,616,923	175,611	36,276,075
Total liabilities	288,682	90,120	1,584,943	23,212	32,835,645
Net assets	47,543	(32,038)	1,031,980	152,399	3,440,430
Dividend paid	-	-	-	111,755	-
Statement of Cash Flows for the year					
Operating cash flows	(64,144)	(3,136)	33,590	30,738	26,860
Investing cash flows	(15,499)	(1,074)	2,093	90,311	(8,932)
Financing cash flows	53,347	(164)	(17,727)	(50,724)	-
Net increase/ (decrease) in cash and cash equivalents	(26,296)	(4,374)	17,956	70,325	17,928

NOTES TO THE FINANCIAL STATEMENTS

32 Investment in Associate Companies

Associates are those entities in which the Bank has significant influence, but not control, over the financial and operating policies. Investments in associate entities are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs.

The Consolidated Financial Statements include the Bank's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Bank's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long term investments, is reported at nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. If the associate subsequently reports profits, the Bank resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

A list of the Bank's associates is shown in note 32.4 to the Financial Statements.

The Bank discontinues the use of the Equity Method from the date that it ceases to have significant influence over an associate and accounts for such investments in accordance with the Sri Lanka Accounting Standard – SLFRS 9 on “Financial Instruments”.

Upon loss of significant influence over the associate, the Bank measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

32.1 Unquoted Associates

As at 31 December	Bank				Group			
	2021		2020		2021		2020	
	Cost	Directors' valuation	Cost	Directors' valuation	Equity value	Directors' valuation	Equity value	Directors' valuation
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Ceybank Asset Management Limited (1,240,002 ordinary shares)	31,048	31,048	31,048	31,048	315,522	315,522	264,035	264,035
Lanka Securities (Private) Limited (3,594,857 Ordinary shares)	41,940	41,940	41,940	41,940	143,563	143,563	118,461	118,461
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	136,446	136,446	127,588	127,588
Total investment in unquoted associates	117,988	92,988	117,988	92,988	595,531	595,531	510,084	510,084
Less - Provision for impairment of investments in associates [Note 32.3]	25,000	-	25,000	-	-	-	-	-
Net investment in unquoted associates	92,988	92,988	92,988	92,988	595,531	595,531	510,084	510,084

32.2 Movement in Investment in Associate Companies

	Bank		Group	
	Cost		Equity value	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	117,988	117,988	510,084	447,035
Share of profit/ (loss), net of tax	-	-	133,677	82,488
Share of other comprehensive income, net of tax	-	-	11,376	(19,439)
Share of dividends	-	-	(59,606)	-
Balance as at 31 December	117,988	117,988	595,531	510,084

32.3 Movement in Provision for Impairment of Investment in Associate Companies

	Bank	
	2021	2020
	LKR '000	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

32.4 Share Holding Structure of Associate Companies

Name of the Company	Equity interest %		Shareholding structure	
	2021	2020	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	41.60	First Capital Securities Corporation Limited	51.00
			Merchant Bank of Sri Lanka and Finance PLC	29.00
			Bank of Ceylon (Bank of Ceylon indirectly hold 24.51%)	20.00
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.

NOTES TO THE FINANCIAL STATEMENTS

32.5 Summarised Financial Information of Associates

	2021		
	CAML LKR '000	LSL LKR '000	TLRS LKR '000
Statement of profit or loss for the year			
Total income	143,898	752,190	130,353
Profit / (Loss) before tax	59,045	373,566	117,932
Profit / (Loss) after tax	42,058	268,968	107,427
Other comprehensive income	26,237	-	-
Total comprehensive income	68,295	268,968	107,427
Statement of Financial Position as at 31 December			
Total assets	769,523	1,406,708	809,989
Current liabilities	30,384	958,031	95,405
Total liabilities	49,647	959,782	282,190
Net assets	719,876	446,926	527,799
Dividend paid during the year	21,450	70,000	40,500
Dividend received to the Bank (net) during the year	18,600	25,798	11,000
2020			
	CAML LKR '000	LSL LKR '000	TLRS LKR '000
Statement of profit or loss for the year			
Total income	48,131	233,022	127,038
Profit / (Loss) before tax	21,737	68,828	115,260
Profit / (Loss) after tax	21,326	52,310	106,777
Other comprehensive income	(44,832)	-	-
Total comprehensive income	(23,506)	52,310	106,777
Statement of Financial Position as at 31 December			
Total assets	636,525	1,136,957	710,505
Current liabilities	18,985	822,686	24,751
Total liabilities	35,402	822,495	218,581
Net assets	601,123	314,462	491,924
Dividend paid during the year	-	-	-
Dividend received to the Bank (net) during the year	-	-	-

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.

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Cost				
Balance as at 1 January	3,003,007	3,000,000	148,409	148,409
Additions during the year	-	3,007	-	-
Balance as at 31 December	3,003,007	3,003,007	148,409	148,409
Less : Accumulated depreciation				
Balance as at 1 January	468,889	351,216	34,039	31,133
Charge for the year	119,478	117,673	6,666	2,906
Balance as at 31 December	588,367	468,889	40,705	34,039
Net investment properties	2,414,640	2,534,118	107,704	114,370

Rental income generated from investment properties for the year 2021 is LKR 24.0 million (2020 - LKR 24.0 million).

Building value of LKR 588.4 million in 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

NOTES TO THE FINANCIAL STATEMENTS

33.2 Investment Properties Held By the Bank and Group

33.2.1 Bank

As at 31 December	Building (sq.ft)	Extent of Land (Perches)	2021			2020		
			Cost			Fair value Total	Cost Total	Fair value Total
			Land	Building	Total			
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000		
York street building, No.02, York Street, Colombo 01	261,610	181.85	2,414,640	588,367	3,003,007	3,003,007	3,003,007	3,003,007
Total			2,414,640	588,367	3,003,007	3,003,007	3,003,007	3,003,007

33.2.2 Group

As at 31 December	No of Buildings	Building (sq.ft)	Extent of Land (Perches)	2021			2020		
				Cost			Fair value Total	Cost Total	Fair value Total
				Land	Building	Total			
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000			
No. 64 and 66, Nonagama Road, Pallegama, Embilipitiya.	-	-	16.61	1,751	-	1,751	30,000	1,751	30,000
No. 385/1, Kotte Road, Pittakotte.	1	2,896	19.01	2,958	1,730	4,688	53,000	4,688	53,000
No. 116/4,116/7,116/26, 116/27, 116/29, 1st Cross Street, Colombo 01.	-	-	12.35	1,249	-	1,249	5,000	1,249	5,000
No. 102 and 104, Dam Street, Colombo 12.	1	20,368	50.70	17,970	11,989	29,959	188,000	29,959	188,000
Kumbuthukuliya watte, Bangadeniya Road, Puttalam.	-	-	320.00	600	-	600	55,000	600	55,000
Mirissawelawatta hena; Thekkawatta, Dambadeniya.	-	-	188.00	162	-	162	2,000	162	2,000
No. 50/21, Old Kesbawa Road, Raththanapitiya, Boralesgamuwa.	1	54,826	364.35	65,604	44,396	110,000	320,000	110,000	320,000
Total				90,294	58,115	148,409	653,000	148,409	653,000

Note :

The fair value of the investment properties as at 31 December 2021 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 2021 and concluded that there was no impairment.

34 Property, Plant and Equipment

Recognition

Property, Plant and Equipment (PPE) are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the asset can be reliably measured.

Measurement

Cost of Property, Plant and Equipment includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is also capitalised as part of that equipment.

Items of Property, Plant and Equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Revaluation model is applied for entire class of freehold land and buildings and buildings on leasehold lands. The Market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use are taken into account in measuring the fair value.

Properties that carried at revaluation amount being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and building of the Group are revalued every three to five years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the Reporting date. Any surplus arising on revaluation of an asset is accumulated under the Revaluation Reserve in Equity through Other Comprehensive Income. However, if there is any revaluation deficit of the same asset previously recognised on profit or loss, revaluation surplus is recognised on Profit or Loss to the extent it reverse such deficit. 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.

NOTES TO THE FINANCIAL STATEMENTS

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 prorata 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
Computer equipment	04 - 05 years
Furniture and fittings	08 years
Motor vehicles	04 years
Power plant	20 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.

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	2021 Total	2020 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	19,911,607	4,217,198	2,694,556	18,097,426	1,709,447	37,548	826,862	47,494,644	38,238,753
Additions during the year									
Acquisitions	-	-	30,076	964,320	-	-	776,802	1,771,198	2,946,477
Capitalisations	-	701,108	241,920	-	-	-	(943,028)	-	-
Changes in revaluation surplus/ (deficit)									
	-	(284,831)	-	-	-	-	-	(284,831)	6,863,087
Transfer of accumulated depreciation on revalued assets									
	-	-	-	-	-	-	-	-	(350,554)
Disposals during the year									
	-	(25,332)	-	(117,473)	(64,780)	-	-	(207,585)	(191,693)
Exchange rate adjustments									
	-	-	-	27,206	5,831	-	-	33,037	(6,021)
Transfers / adjustments									
	-	-	-	-	25	-	(14,490)	(14,465)	(5,405)
As at 31 December	19,911,607	4,608,143	2,966,552	18,971,479	1,650,523	37,548	646,146	48,791,998	47,494,644
Accumulated depreciation and Impairment									
As at 1 January	-	4,880	376,760	12,254,271	1,455,182	37,548	-	14,128,641	12,659,688
Charge for the year	-	141,200	87,798	1,680,626	144,861	-	-	2,054,485	1,969,456
Transfer of accumulated depreciation on revalued assets									
	-	-	-	-	-	-	-	-	(350,554)
Disposals during the year									
	-	(21,293)	-	(114,577)	(55,463)	-	-	(191,333)	(145,124)
Revaluation adjustments									
	-	15,179	-	-	-	-	-	15,179	-
Exchange rate adjustments									
	-	-	-	22,148	5,393	-	-	27,541	(4,825)
As at 31 December	-	139,966	464,558	13,842,468	1,549,973	37,548	-	16,034,513	14,128,641
Net book value as at 31 December 2021									
	19,911,607	4,468,177	2,501,994	5,129,011	100,550	-	646,146	32,757,485	
Net book value as at 31 December 2020									
	19,911,607	4,212,318	2,317,796	5,843,155	254,265	-	826,862		33,366,003

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34.2 Group

	Freehold land	Freehold building	Buildings on leasehold land	Equipment [Note 34.12.1]	Motor vehicles	Leasehold motor vehicles	Capital work in progress	2021 Total	2020 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	22,858,170	7,268,341	11,665,991	19,798,385	1,908,325	60,924	886,561	64,446,697	54,601,875
Additions during the year									
Acquisitions	-	-	76,901	1,044,458	882	-	778,303	1,900,544	3,059,995
Capitalisations	-	701,364	241,920	-	-	-	(943,284)	-	-
Changes in revaluation surplus / (deficit)									
	185,361	(278,646)	624,089	-	-	-	-	530,804	7,714,809
Transfer of accumulated depreciation on revalued assets									
	-	(29,366)	(409,284)	-	-	-	-	(438,650)	(759,258)
Disposals during the year									
	-	(25,322)	(6,467)	(421,243)	(74,832)	-	-	(527,864)	(208,100)
Exchange rate adjustments									
	23,548	24,363	-	32,768	5,831	-	-	86,510	43,434
Transfers/ adjustments									
	-	9	(1,246)	-	25	-	(14,490)	(15,702)	(6,058)
As at 31 December	23,067,079	7,660,743	12,191,904	20,454,368	1,840,231	60,924	707,090	65,982,339	64,446,697
Accumulated depreciation									
As at 1 January	-	874,269	989,112	13,530,316	1,578,547	55,833	-	17,028,077	15,115,495
Charge for the year									
	-	323,988	540,720	1,785,308	158,102	4,697	-	2,812,815	2,735,988
Transfer of accumulated depreciation on revalued assets									
	-	-	-	-	-	-	-	-	(759,258)
Impairment Loss									
	-	-	-	-	-	-	-	-	81,759
Disposals during the year									
	-	(21,293)	(372)	(328,945)	(65,489)	-	-	(416,099)	(147,914)
Revaluation adjustments									
	-	(14,187)	(409,284)	-	-	-	-	(423,471)	-
Exchange rate adjustments									
	-	5,101	-	26,332	5,393	-	-	36,826	961
Transfers/ adjustments									
	-	-	-	-	-	-	-	-	1,046
As at 31 December	-	1,167,878	1,120,176	15,013,011	1,676,553	60,530	-	19,038,148	17,028,077
Net book value as at 31 December									
2021	23,067,079	6,492,865	11,071,728	5,441,357	163,678	394	707,090	46,944,191	
Net book value as at 31 December									
2020	22,858,170	6,394,072	10,676,879	6,268,069	329,778	5,091	886,561		47,418,620

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	
	2021	2020	2021	2020
As at 31 December	LKR '000	LKR '000	LKR '000	LKR '000
Motor vehicles	1,226,115	997,475	1,247,517	1,059,237
Computer equipments	5,008,981	4,010,339	5,020,158	4,266,903
Equipment, furniture, and fittings	2,102,715	1,907,381	2,122,473	2,169,159
Buildings on leasehold lands	39,350	43,906	39,350	43,906
Plant and machinery	1,713,280	1,441,662	1,713,495	1,549,787
Total	10,090,441	8,400,763	10,142,993	9,088,992

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 Cost of the revalued properties

The carrying value of 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	2021			2020		
	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	2,069,386	-	2,069,386	2,069,386	-	2,069,386
Building	2,736,099	(916,557)	1,819,542	2,329,975	(781,471)	1,548,504
Total	4,805,485	(916,557)	3,888,928	4,399,361	(781,471)	3,617,890

34.9.2 Group

As at 31 December	2021			2020		
	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	2,195,353	-	2,195,353	2,116,395	-	2,116,395
Building	3,926,069	(1,732,478)	2,193,591	3,495,307	(1,409,503)	2,085,804
Total	6,121,422	(1,732,478)	4,388,944	5,611,702	(1,409,503)	4,202,199

NOTES TO THE FINANCIAL STATEMENTS

34.10 Revaluation of Leasehold / Freehold Properties - Group

The following buildings on leasehold / freehold lands of the subsidiaries were revalued during the year by professionally qualified independent valuers.

Leasehold properties					
2021					
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 PLC Bank of Ceylon Head Office Building "BOC Square", Colombo 01 (Revalued as at 31st December 2021)	P P T Mohideen	Discounted Cash Floor method	7,475,314	8,099,763	624,449
BOC Property Development and Management (Private) Limited Bank of Ceylon - Ceybank house No. 86, Sri Dalada Veediya, Kandy (Revalued as at 31 December 2021)	M/s P B Kalugalagedara and Associates	Market value method	488,400	488,040	(360)

Freehold land					
2021					
Details of properties	Valuer	Basis of valuation	Carrying value	Revalued amount of Building	Surplus/ (Loss) of Building
			LKR '000	LKR '000	LKR '000
Bank of Ceylon (UK) Limited 1, Devonshire Square, London EC2M4AD (Revalued as at 3 February 2020)	Mark Short MRICS	Market value method	734,664	920,025	185,361

Freehold buildings					
2021					
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 2021)	M/s P B Kalugalagedara and Associates	Market value method	1,761,815	1,768,000	6,183

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

Type of asset	Fair value as at 31.12.2021 LKR'000	Valuation technique	2021		
			Significant unobservable inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
Freehold land	19,911,607	Market comparable method	Estimated cost per perch	LKR 50,000- LKR 19,053,000	Positively correlated sensitivity
Freehold buildings	4,468,177	Market comparable method	Estimated cost per square feet	LKR 600 - LKR 59,000	Positively correlated sensitivity
Buildings on leasehold lands	2,501,994	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	5.50%	Negatively correlated sensitivity"

34.11.2 Group

Type of asset	Fair value as at 31.12.2021 LKR'000	Valuation technique	2021		
			Significant unobservable inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
Freehold land	23,067,079	Market comparable method	Estimated cost per perch	LKR 50,000 - LKR 20,000,000	Positively correlated sensitivity
Freehold buildings	6,492,865	Market comparable method	Estimated cost per square feet	LKR 600 - LKR 59,000	Positively correlated sensitivity
Buildings on leasehold lands	11,071,728	Rental value basis	Estimated rental value per square feet	LKR 110 - LKR 11,250	Positively correlated sensitivity
			Expected market rental growth p.a	5% -7.5%	Positively correlated sensitivity
			Anticipated maintenance cost	40%	Positively correlated sensitivity
			Discount rate	5.5% -10%	Negatively correlated sensitivity"

NOTES TO THE FINANCIAL STATEMENTS

34.12 Equipment

34.12.1 Bank

	Computer Equipment LKR '000	Furniture and Fittings LKR '000	Office Equipment LKR '000	2021 Total LKR '000	2020 Total LKR '000
Cost					
Balance as at 1 January	9,551,357	5,323,251	3,222,818	18,097,426	16,201,964
Additions during the year					
Acquisitions	461,173	387,567	115,580	964,320	1,948,195
Capitalisations	-	-	-	-	14,905
Disposals during the year	(42,310)	(43,625)	(31,538)	(117,473)	(69,790)
Exchange rate adjustments	19,680	3,450	4,076	27,206	(2,380)
Transfers / adjustments	-	-	-	-	4,532
Balance as at 31 December	9,989,900	5,670,643	3,310,936	18,971,479	18,097,426
Accumulated depreciation					
Balance as at 1 January	6,689,718	3,231,283	2,333,270	12,254,271	10,772,230
Charge for the year	1,038,063	436,843	205,720	1,680,626	1,547,935
Disposals during the year	(41,723)	(41,866)	(30,988)	(114,577)	(64,417)
Exchange rate adjustments	16,828	2,982	2,338	22,148	(1,486)
Transfers / adjustments	-	-	-	-	9
Balance as at 31 December	7,702,886	3,629,242	2,510,340	13,842,468	12,254,271
Net book value as at 31 December 2021	2,287,014	2,041,401	800,596	5,129,011	
Net book value as at 31 December 2020	2,861,639	2,091,968	889,548	-	5,843,155

34.12.2 Group

	Computer Equipment LKR '000	Furniture and Fittings LKR '000	Office Equipment LKR '000	Power Plant LKR '000	2021 Total LKR '000	2020 Total LKR '000
Cost						
Balance as at 1 January	10,104,004	6,129,576	3,265,807	298,998	19,798,385	17,833,488
Additions during the year						
Acquisitions	499,267	423,881	121,310	-	1,044,458	2,027,949
Capitalisation	-	-	-	-	-	14,905
Disposals during the year	(42,382)	(48,148)	(31,715)	(298,998)	(421,243)	(82,669)
Exchange rate adjustments	21,990	6,703	4,075	-	32,768	182
Transfers / Adjustments	-	-	-	-	-	4,530
Balance as at 31 December	10,582,879	6,512,012	3,359,477	-	20,454,368	19,798,385
Accumulated depreciation						
Balance as at 1 January	7,133,814	3,814,296	2,371,515	210,691	13,530,316	11,828,371
Charge for the year	1,092,776	485,345	207,187	-	1,785,308	1,685,562
Impairment loss	-	-	-	-	-	81,759
Disposals during the year	(41,785)	(45,330)	(31,139)	(210,691)	(328,945)	(67,207)
Exchange rate adjustments	18,717	5,276	2,339	-	26,332	776
Transfers / Adjustments	-	-	-	-	-	1,055
Balance as at 31 December	8,203,522	4,259,587	2,549,902	-	15,013,011	13,530,316
Net book value as at 31 December 2021	2,379,357	2,252,425	809,575	-	5,441,357	-
Net book value as at 31 December 2020	2,970,190	2,315,280	894,292	88,307	-	6,268,069

NOTES TO THE FINANCIAL STATEMENTS

34.13 The details of Freehold land and building held by the bank as at 31 December 2021 are as follows:

Name of Premises	No. of Buildings	Land Extent (Perches)	Building (Square feet)	Date of valuation	Valuer
Central Province					
Galaha Branch 59/37, Deltota Road, Galaha	1	15.00	8,410	31.12.2020	R H Jayawardana
Gampola Branch 44, Kadugannawa Road, Gampola	1	175.00	9,832	31.12.2020	R H Jayawardana
Galewela Branch 158, Dhambulla Road, Galewela	1	47.00	6,958	30.11.2020	Upali Rajapaksha
Hatton Branch and staff Quarters 46, Circular Road, Hatton	2	139.57	10,891	31.12.2020	R H Jayawardana
Kandy 2nd City Branch Cey Bank House, 88, Dalada Veediya, Kandy	1	42.81	18,523	31.12.2020	R H Jayawardana
Kandapola Branch 31,33, Main street, Kandapola	1	14.10	4,536	11.07.2018	K T D Tissera
Maskeliya Branch 66, Upcot Road, Maskeliya	1	42.05	6,607	31.12.2020	R H Jayawardana
Nawalapitiya Branch 6, Gampola Road, Nawalapitiya	1	21.92	9,790	31.12.2020	R H Jayawardana
Nuwara Eliya Branch 43, Lawson Street, Nuwara Eliya	1	133.50	9,713	31.12.2020	R H Jayawardana
Nuwara Eliya Staff Quarters 14,19, Hill Street, Nuwara Eliya	1	41.40	4,847	31.12.2020	R H Jayawardana
Nuwara Eliya Property Ladies staff Quarters 12, Hill Street, Nuwara Eliya	1	14.99	1,303	31.12.2020	R H Jayawardana
Rikillagaskada Branch 3, Dimbulkumbura Road, Rikillagaskada	1	19.60	4,676	26.07.2017	N M Keppetipola
Thalawakele Branch 23,25,29, Hatton Road, Thalawakele	1	25.30	7,332	31.12.2020	R H Jayawardana
Thalawakele Staff Quarters Thalawakele Estate, Thalawakele	1	160.00	4,898	31.12.2020	R H Jayawardana
Eastern Province					
Batticaloa Branch 19, Govington Road, Batticaloa	1	64.85	7,464	31.12.2020	R H Jayawardana
Muttur Branch (New) 36/1, Trincomalee Road Ward, No 07, Muttur	1	71.00	7,566	31.12.2020	R H Jayawardana
Pottuvil Branch Main Street, Pottuvil	1	10.70	4,077	31.12.2020	R H Jayawardana
Trincomalee Branch 24, Inner Harbour Road, Trincomalee	1	90.00	10,810	31.12.2020	R H Jayawardana
Trincomalee City Branch 09, Main Street, Trincomalee	1	21.90	9,620	31.12.2020	R H Jayawardana
Valachchenai Branch Main Street, Valachchenai	1	47.34	6,621	31.12.2020	R H Jayawardana
Northern Province					
Jaffna Area Office & Branch 476, 476A, Hospital Road, Jaffna	2	166.25	23,641	30.11.2020	K T D Tissera
Jaffna 2nd Branch 56, Stanley Road, Jaffna	1	33.89	18,092	30.10.2018	K T D Tissera
Karainagar Branch Post Office View, Karainagar	1	20.09	2,633	30.11.2020	K T D Tissera

Basis of Valuation	Revalued Amount of Land LKR '000	Revalued Amount of Buildings LKR '000	Total Value LKR '000	Accumulated Depreciation LKR '000	Written Down Value LKR '000
Contractor's Method	22,500	29,370	51,870	839	51,031
Contractor's Method	245,000	26,157	271,157	747	270,410
Contractor's Method	117,500	60,193	177,693	1,437	176,256
Contractor's Method	279,140	42,970	322,110	1,098	321,012
Contractor's Method	642,150	109,721	751,871	2,748	749,123
Contractor's Method	37,109	9,967	47,076	666	46,410
Contractor's Method	42,000	22,297	64,297	607	63,690
Contractor's Method	54,800	35,244	90,044	881	89,163
Contractor's Method	867,750	38,863	906,613	955	905,658
Contractor's Method	103,500	16,116	119,616	733	118,883
Contractor's Method	11,242	4,104	15,346	103	15,243
Contractor's Method	30,199	11,500	41,699	1,469	40,230
Contractor's Method	39,650	22,254	61,904	554	61,350
Contractor's Method	11,200	13,944	25,144	349	24,795
	2,503,740	442,700	2,946,440	13,186	2,933,254
Contractor's Method	64,850	23,676	88,526	1,184	87,342
Contractor's Method	24,850	45,396	70,246	1,135	69,111
Contractor's Method	24,075	18,304	42,379	458	41,921
Contractor's Method	99,000	25,699	124,699	1,274	123,425
Contractor's Method	38,325	85,863	124,188	179	124,009
Contractor's Method	37,872	18,795	56,667	614	56,053
	288,972	217,733	506,705	4,844	501,861
Contractor's Method	540,000	35,137	575,137	1,752	573,385
Contractor's Method	135,269	52,330	187,599	2,835	184,764
Contractor's Method	5,000	9,000	14,000	257	13,743

NOTES TO THE FINANCIAL STATEMENTS

Name of Premises	No. of Buildings	Land Extent (Perches)	Building (Square feet)	Date of valuation	Valuer
Mannar Branch (Land) Moor Street, Mannar	-	63.22	-	30.11.2020	A R M M Kaleel
Nelliadi Branch 23, Kodikamam Road, Nelliady	1	42.74	10,889	30.11.2020	A R M M Kaleel
North Western Province					
Alawwa Branch 64, Giriulla Road, Alawwa	1	30.80	7,011	30.11.2020	R W M S B Rajapaksha
Bingiriya Land 44, Chilaw Road, Bingiriya	-	40.00	-	30.11.2020	Upali Rajapaksha
Chilaw Branch Radaguru Edmund Peiris Mawatha, Chilaw	1	38.25	8,935	30.11.2020	R W M S B Rajapaksha
Dankotuwa Land 01/60, Negombo Road, Dankotuwa	-	32.90	-	03.08.2017	K T D Tissera
Dummalasooriya Branch 227, Kuliyaipitiya - Madampe Road, Dummalasuriya	1	41.68	6,139	30.11.2020	R W M S B Rajapaksha
Kurunegala Province Office, AGM's Quarters & CM Quarters 18, Mihindu Mawatha, Kurunegala	3	225.00	20,575	31.12.2020	R H Jayawardana
Kurunegala Super Grade Branch Commercial Complex, Kurunegala	1	-	12,242	31.12.2020	R H Jayawardana
Kurunegala 2nd City Branch 35, Colombo Road, Kurunegala	1	49.40	28,000	30.11.2020	R W M S B Rajapaksha
Madampe Branch 10, Station Road, Madampe	1	61.10	7,260	30.11.2020	R W M S B Rajapaksha
Madurankuliya Branch 66, Colombo Road, Madurankuliya	1	46.00	5,760	30.11.2020	R W M S B Rajapaksha
Malsiripura Branch 362, 358, Dambulla Road, Malsiripura	1	46.20	7,242	30.11.2020	R W M S B Rajapaksha
Marawila Branch (Land) 85, Negombo Road, Marawila	-	35.00	-	03.04.2018	R W M S B Rajapaksha
Narammala Branch 139, Negombo Road, Narammala	1	117.50	7,190	30.11.2020	R W M S B Rajapaksha
Nattandiya Branch (Land) 115, Marawila Road, Nattandiya	-	40.00	-	30.11.2020	Upali Rajapaksha
Waikkal Branch (Land) 43/44, Thopputota, Waikkal	-	36.00	-	30.11.2020	Upali Rajapaksha
Wariyapola Branch (Land) 32, Kurunegala Road, Wariyapola	-	40.80	-	30.11.2020	R W M S B Rajapaksha
Sabaragamuwa Province					
Balangoda Branch 137,139, Main Street, Balangoda	1	14.50	3,520	30.11.2020	S A R Amarasinghe
Dehiowita Branch 62, Main Street, Dehiowita	1	38.60	3,818	30.11.2020	A G Gunaratna
Kegalle Branch 110, Colombo Road, Kegalle	1	131.38	16,718	30.11.2020	W D P Rupananda
Ratnapura Branch 6, Dharmapala Mawatha, Ratnapura	1	99.70	11,082	30.11.2020	W D P Rupananda
Rathnapura Land 25, Shaviya Mawatha, Ratnapura	-	31.69	-	30.11.2020	W D P Rupananda

Basis of Valuation	Revalued Amount of Land LKR '000	Revalued Amount of Buildings LKR '000	Total Value LKR '000	Accumulated Depreciation LKR '000	Written Down Value LKR '000
Contractor's Method	35,000	-	35,000	-	35,000
Contractor's Method	60,000	55,000	115,000	1,375	113,625
	775,269	151,467	926,736	6,219	920,517
Contractor's Method	54,000	22,000	76,000	550	75,450
Contractor's Method	30,000	-	30,000	-	30,000
Contractor's Method	76,500	28,500	105,000	713	104,287
Contractor's Method	49,973	-	49,973	-	49,973
Contractor's Method	41,500	23,500	65,000	587	64,413
Contractor's Method	1,012,500	95,277	1,107,777	2,380	1,105,397
Investment method	-	224,600	224,600	5,615	218,985
Comparison's Method	468,000	1,670	469,670	64	469,606
Contractor's Method	61,000	26,000	87,000	650	86,350
Contractor's Method	62,100	32,700	94,800	818	93,982
Contractor's Method	69,000	47,443	116,443	1,180	115,263
Contractor's Method	48,879	-	48,879	-	48,879
Contractor's Method	92,750	38,750	131,500	969	130,531
Contractor's Method	60,000	-	60,000	-	60,000
Contractor's Method	60,000	-	60,000	-	60,000
Comparison's Method	100,000	-	100,000	-	100,000
	2,286,202	540,440	2,826,642	13,526	2,813,116
Depreciated Replacement Cost Method	36,200	3,100	39,300	310	38,990
On Cost Approach	20,090	2,418	22,508	1,209	21,299
Contractor's Method	350,000	55,000	405,000	1,833	403,167
Contractor's Method	110,000	35,000	145,000	972	144,028
Comparison Method	118,000	-	118,000	-	118,000
	634,290	95,518	729,808	4,324	725,484

NOTES TO THE FINANCIAL STATEMENTS

Name of Premises	No. of Buildings	Land Extent (Perches)	Building (Square feet)	Date of valuation	Valuer
Southern Province					
Ambalangoda Branch 345, Galle Road, Ambalangoda	1	58.00	6,330	30.11.2020	U Rajapaksha
Ambalantota Branch 11, Wanduruppa Road, Ambalantota	1	38.00	5,410	30.11.2020	U Rajapaksha
Ahangama Branch 54, Galle Road, Ahangama	1	33.35	4,917.00	30.11.2020	U Rajapaksha
Batapola Branch Aluthwatte, Batapola	1	46.80	3,024	27.01.2019	U Rajapaksha
Beliatta Branch 67, Walasmulla Road, Beliatta	1	53.02	6,200	30.11.2020	U Rajapaksha
Deniyaya Land Viharahena Road, Deniyaya	-	55.80	-	26.02.2019	U Rajapaksha
Galle Province Office 20, Hospital Street, Fort, Galle	1	32.63	14,250	30.11.2020	S A R Amarasinghe
Galle Branch 2, Light House Street, Fort, Galle	1	31.50	16,200	30.11.2020	S A R Amarasinghe
Galle City Land 07, Sri Dewamitta Mawatha, Galle	-	27.14	-	29.03.2019	U Rajapaksha
Hakmana Branch Beliatta Road, Hakmana	1	36.70	3,400	30.11.2020	U Rajapaksha
Imaduwa Branch Ahangama Road, Imaduwa	1	83.50	3,300	30.11.2020	S A R Amarasinghe
Karapitiya Land 167A, Hirimbura Cross Road, Karapitiya	-	35.00	-	30.11.2020	U Rajapaksha
Matara Super Grade Branch 11, Kumaratunga Mawatha, Matara	1	104.40	52,969	30.11.2020	U Rajapaksha
Matara Bazaar Branch 58, New Tangalle Road, Matara	1	49.25	6,920	30.11.2020	U Rajapaksha
Nagoda Branch Mapalagama Road, Nagoda	1	40.00	3,100	30.11.2020	S A R Amarasinghe
Ranna Land Mainstreet, Ranna	-	40.00	-	25.10.2018	U Rajapaksha
Tangalle Branch 91/1, 91/2, Tissa Road, Tangalle	1	21.05	5,370	30.11.2020	U Rajapaksha
Weeraketiya Branch Belliatta Road, Weeraketiya	1	36.87	4,480	30.11.2020	U Rajapaksha
Weligama Branch 239, Main Street, Weligama	1	97.75	8,110	30.11.2020	S A R Amarasinghe
Walasmulla 28, Beliatta Road, Walasmulla	1	38.00	8,045	30.11.2020	U Rajapaksha
Uva Province					
Badulla Uva Province Office 17, Hill Drive, Keppetipola Road, Badulla	2	118.75	9,537	30.11.2020	L H Lickson
Bandarawela Branch 198 B, Badulla Road, Bandarawela	1	10.60	7,731	30.11.2020	L H Lickson
Ettampitiya Branch 23, Nuwara Eliya Road, Ettampitiya	1	20.35	3,729	30.11.2020	L H Lickson
Haputale Branch (Browns) 20, Station Road, Haputale	1	158.70	7,361	30.11.2020	L H Lickson

Basis of Valuation	Revalued Amount of Land LKR '000	Revalued Amount of Buildings LKR '000	Total Value LKR '000	Accumulated Depreciation LKR '000	Written Down Value LKR '000
Contractor's Method	116,000	39,550	155,550	989	154,561
Contractor's Method	47,500	20,000	67,500	1,667	65,833
Comparison Method	40,000	68,660	108,660	143	108,517
Contractor's Method	60,012	6,781	66,793	540	66,253
Contractor's Method	101,436	39,064	140,500	977	139,523
Contractor's Method	57,224	-	57,224	-	57,224
Contractor's Method	261,000	25,650	286,650	1,282	285,368
Depreciated Replacement Cost Method	252,000	29,200	281,200	1,460	279,740
Contractor's Method	126,566	-	126,566	-	126,566
Contractor's Method	49,500	11,500	61,000	287	60,713
Depreciated Replacement Cost Method	62,600	7,900	70,500	282	70,218
Comparison Method	77,000	-	77,000	-	77,000
Contractor's Method	395,400	340,910	736,310	742	735,568
Contractor's Method	153,750	43,729	197,479	1,093	196,386
Depreciated Replacement Cost Method	20,000	10,700	30,700	267	30,433
Contractor's Method	28,199	-	28,199	-	28,199
Contractor's Method	31,575	32,000	63,575	800	62,775
Contractor's Method	48,000	26,700	74,700	667	74,033
Depreciated Replacement Cost Method	97,750	22,265	120,015	731	119,284
Contractor's Method	57,000	60,463	117,463	1,509	115,954
	2,082,512	785,072	2,867,584	13,436	2,854,148
Investment and Contractor's Method	59,316	17,347	76,663	1,927	74,736
Contractor's Method	82,824	23,776	106,600	1,399	105,201
Investment and Contractor's Method	11,123	10,628	21,751	266	21,485
Contractor's Method	39,192	11,508	50,700	822	49,878

NOTES TO THE FINANCIAL STATEMENTS

Name of Premises	No. of Buildings	Land Extent (Perches)	Building (Square feet)	Date of valuation	Valuer
Monaragala Branch, Manager Quarters & staff Quarters					
401, Wellawaya Road, Moneragala	3	320.00	13,011	30.11.2020	L H Lickson
Siyabalanduwa Branch					
Premadasa Hardware Building, Ampara Junction, Siyabalanduwa	1	28.00	5,877	01.11.2017	M C A Malik
Western Province North					
Borella Branch					
71, Danister de Silva Mawatha, Borella	1	49.27	20,173	30.11.2020	W D P Rupananda K D Tissera
City Office					
41, Bristol Street, Colombo 1	1	39.50	31,443	30.11.2020	W D P Rupananda
Grand Pass Branch					
703, Sirimavo Bandaranaike Mawatha, Grandpass	1	20.12	6,210	30.11.2020	A G Gunaratna
Gampaha Branch					
170, Colombo Road, Gampaha	1	34.06	7,295	30.11.2020	S A R Amarasingha
Ganemulla Branch (Land)					
156, Kirindiwita Road, Ganemulla	-	43.61	-	26.01.2019	S A R Amarasingha
Ja Ela Branch					
19, Negombo Road, Ja-ela	1	45.94	7,800	31.12.2020	A R M M Kaleel
Kadawatha Branch					
469, Ragama Road, Kadawatha	1	30.72	6,138	31.12.2020	A R M M Kaleel
Kiribathgoda Branch (Land)					
235, Kandy Road, Kiribathgoda	-	43.70	-	21.06.2018	A G Gunarathne
Negombo Branch					
118, Rajapakse Broadway, Negombo	1	93.60	13,503	30.11.2020	S A R Amarasingha
Negombo City					
77, Main Street, Negombo	1	10.76	8,355	30.11.2020	S A R Amarasinghe
Pettah Branch					
212/63, Gas Work Street, Colombo 11	1	28.29	25,222	30.11.2020	W D P Rupananda
Dematagoda Land					
400, Danister De Silva Mawatha, Colombo 09	-	38.14	-	30.11.2020	W D P Rupananda
Western Province South					
Aluthgama Branch					
14, Douglas Gunawardena Mawatha, Aluthgama	1	36.60	6,558	30.11.2020	B K Dayaratne
Bambalapitiya Branch					
20, Galle Road, Colombo 4	1	-	7,776	30.11.2020	S A R Amarasingha
Beruwala Branch					
165A, Galle Road, Beruwala	1	21.50	5,850	30.11.2020	B K Dayaratne
Bulathsinhala Branch					
40, Horana Road, Athura, Bulathsinhala	1	55.52	6,900	30.11.2020	B K Dayaratne
Dehiwala Branch					
207, Galle Road, Dehiwela	1	22.00	12,454	30.11.2020	A G Gunaratna
Horana Branch					
87, Anguruwathota Road, Horana	1	70.02	10,280	30.11.2020	B K Dayaratne
Idama Branch					
707, Galle Road, Moratuwa	1	61.12	10,464	30.11.2020	A G Gunaratna
Kalutara Branch					
218, Galle Road, Kalutara South, Kalutara	1	45.86	10,645	30.11.2020	B K Dayaratne
Kottawa Branch (Land)					
903, Avissawella Road, Kottawa	-	35.22	-	01.12.2018	A G Gunaratna

Basis of Valuation	Revalued Amount of Land LKR '000	Revalued Amount of Buildings LKR '000	Total Value LKR '000	Accumulated Depreciation LKR '000	Written Down Value LKR '000
Contractor's Method	84,800	42,538	127,338	1,288	126,050
Investment Method	21,699	22,500	44,199	2,109	42,090
	298,954	128,297	427,251	7,811	419,440
Investment and Contractor's Method	513,200	85,000	598,200	2,125	596,075
Investment and Contractor's Method	610,000	77,000	687,000	2,200	684,800
Cost and Income Approach	181,080	24,045	205,125	829	204,296
Depreciated Replacement Cost Method	119,200	36,519	155,719	913	154,806
Contractor's Method	72,645	-	72,645	-	72,645
Contractor's Method	165,000	35,000	200,000	2,333	197,667
Contractor's Method	120,000	20,000	140,000	500	139,500
Contractor's Method	249,963	-	249,963	-	249,963
Depreciated Replacement Cost Method	327,600	33,417	361,017	946	360,071
Depreciated Replacement Cost Method	48,400	53,500	101,900	1,529	100,371
investment and contractor's method	539,000	56,000	595,000	1,750	593,250
Comparison Method	273,000	-	273,000	-	273,000
	3,219,088	420,481	3,639,569	13,125	3,626,444
Contractor's Method	80,520	24,262	104,782	606	104,176
Depreciated Replacement Cost Method	-	218,800	218,800	10,940	207,860
Contractor's Method	64,500	12,112	76,612	303	76,309
Contractor's Method	80,790	13,900	94,690	356	94,334
Cost Approach	154,000	57,800	211,800	1,651	210,149
Contractor's Method	260,600	31,834	292,434	791	291,643
Cost Method	244,480	14,475	258,955	1,447	257,508
Contractor's Method	177,440	34,051	211,491	851	210,640
Contractor's Basis	219,772	-	219,772	-	219,772

NOTES TO THE FINANCIAL STATEMENTS

Name of Premises	No. of Buildings	Land Extent (Perches)	Building (Square feet)	Date of valuation	Valuer
Maharagama Branch & Central Training Institute					
88, Highlevel Road, Maharagama	2	185.10	82,121	30.11.2020	A G Gunaratna
Matugama Branch					
No72, Agalawatte Road, Matugama	1	9.50	4,158	30.11.2020	A G Gunaratna
Nugegoda Branch					
174, Highlevel Road, Nugegoda,	1	67.73	42,253	30.11.2020	A G Gunaratna
Panadura Branch					
21, Susantha Mawatha, Panadura	1	80.00	11,336	30.11.2020	K D Tissera
Panadura City Branch					
17/3D, Jayathilake Mawatha, Panadura	1	36.00	7,764	30.11.2020	A G Gunaratna
Wadduwa Branch (Land)					
58 & 56, Station Road, Wadduwa	-	29.00	-	30.11.2020	B K Dayaratne
Wellawatte Branch					
149/2, Galle Road, Colombo 6	1	51.25	15,832	30.11.2020	A G Gunaratna
Holiday Homes and Rests					
Badulla Fernham Bungalow & Property (Land)					
153, Spring Valley Road, Badulla	-	222.25	-	31.12.2020	R H Jayawardana
Bandarawela Holiday Home					
Bindunuwewa, Bandarawela	1	115.00	3,100	31.12.2020	R H Jayawardana
Dickoya Upper Glencarn Bungalow					
Maskeliya Road, Hatton	1	189.65	8,799	31.12.2020	R H Jayawardana
Dickoya lower Glencarn Bungalow (Land)					
Maskeliya Road, Hatton	-	100.00	-	31.12.2020	R H Jayawardana
Haputale Woodland Bungalow					
Woodlands Bungalow, Haputale	1	135.00	3,082	31.12.2020	R H Jayawardana
Jaffna Bank Rest Holiday Home					
34/3, Rasavinthoddam Road, Jaffna	1	269.83	9,605	30.11.2020	K T D Tissera
Kandy Holiday Home					
5/1B, Wimaladharm Mawatha, Dangolla Road, Kandy	1	39.00	3,840	30.11.2020	U Rajapaksha
Lindula Ridge Holiday Home					
Tilliocultry, Talawakele	1	175.00	3,072	31.12.2020	R H Jayawardana
Nuwara Eliya Holiday Home					
16, Hill Street, Nuwara Eliya	1	35.27	2,715	31.12.2020	R H Jayawardana
Cey Bank Rest Nuwara Eliya (Phase 1)					
19, Hill Street, Nuwara Eliya	1	67.54	3,335	31.12.2020	R H Jayawardana
Others					
Colombo 7 - GM's Bangalow					
75, Ananda Kumaraswamy Mawatha, Colombo 7	1	79.80	6,380	30.11.2020	A G Gunaratna
Colombo Darly Road Stores					
497, T B Jayah Mawatha, Colombo 02	1	151.00	26,209	30.11.2020	W D P Rupananda
Colombo World Trade Centre					
08, 8-2/1, Bank of Ceylon Mawatha, Colombo 01	1	-	6,347	30.11.2020	K T D Tissera
BOC Merchant Tower (Formerly Walker's & Sons)					
28 St. Michael's Road, Cololmbo 03	-	57.00	-	30.11.2020	K T D Tissera
Grand Total					

Basis of Valuation	Revalued Amount of Land LKR '000	Revalued Amount of Buildings LKR '000	Total Value LKR '000	Accumulated Depreciation LKR '000	Written Down Value LKR '000
Cost and Income Approach	658,463	208,043	866,506	11,097	855,409
Cost Approach	47,500	4,260	51,760	608	51,152
Cost Approach	677,300	448,265	1,125,565	12,083	1,113,482
Contractor's Method	360,000	26,870	386,870	1,258	385,612
Cost Approach	63,000	69,643	132,643	1,741	130,902
Contractor's Method	58,000	-	58,000	-	58,000
Cost Approach	530,000	48,176	578,176	2,536	575,640
	3,676,365	1,212,491	4,888,856	46,268	4,842,588
Contractor's Method	22,225	-	22,225	-	22,225
Contractor's Method	23,000	10,291	33,291	257	33,034
Contractor's Method	12,616	24,430	37,046	1,222	35,824
Contractor's Method	15,000	-	15,000	-	15,000
Contractor's Method	21,000	7,917	28,917	566	28,351
Market Value	121,424	99,780	221,204	208	220,996
Contractor's Principles and comparison Method	31,200	13,500	44,700	337	44,363
Contractor's Method	8,750	9,090	17,840	364	17,476
Contractor's Method	85,750	7,126	92,876	238	92,638
Contractor's Method	168,850	12,121	180,971	303	180,668
	509,815	184,255	694,070	3,495	690,575
Cost approach	1,436,400	13,600	1,450,000	800	1,449,200
Contractor's Method	1,600,000	41,183	1,641,183	3,557	1,637,626
Rental Value Basis	-	374,906	374,906	9,375	365,531
Comparable Basis	600,000	-	600,000	-	600,000
	3,636,400	429,689	4,066,089	13,732	4,052,357
	19,911,607	4,608,143	24,519,750	139,966	24,379,784

NOTES TO THE FINANCIAL STATEMENTS

35 Right of Use Assets / Leasehold Properties

Initial Recognition and Measurement.

Lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments in the Statement of Financial Position.

Lessee measures right-of-use assets similarly to other non-financial assets (such as Property, Plant and Equipment) and lease liabilities similarly to other financial liabilities. Consequently, a lessee recognises amortisation of the right-of-use asset and interest on the lease liability.

Assets and liabilities arising from a lease are initially measured on a present value basis. The initial lease asset equals the lease liability in most cases.

At lease commencement, a lessee accounts for two elements:

- (a) Right-of-use asset: Initially, a right-of-use asset is measured in the amount of the lease liability and initial direct costs. Then it is adjusted by the lease payments made before or on commencement date, lease incentives received, and any estimate of dismantling and restoration costs.
- (b) Lease liability: The lease liability is in fact all payments not paid at the commencement date discounted to present value using the interest rate implicit in the lease or incremental borrowing rate if the implicit rate cannot be determined. These payments may include fixed payments, variable payments, payments under residual value guarantees, purchase price if purchase option will be exercised.

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.

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Right of Use Assets/ Leasehold Properties	7,710,364	6,211,376	5,605,695	4,441,823
Less: Accumulated amortisation	4,572,409	3,002,497	2,779,976	1,798,137
Net book value of right of use assets/ leasehold properties	3,137,955	3,208,879	2,825,719	2,643,686

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Cost				
Balance as at 1 January	6,211,376	4,794,183	4,441,823	2,864,824
Additions during the year	1,457,891	1,417,193	1,122,775	1,574,563
Adjustments / Transfers	41,097	-	41,097	2,436
Balance as at 31 December	7,710,364	6,211,376	5,605,695	4,441,823
Accumulated amortisation				
Balance as at 1 January	3,002,497	1,314,246	1,798,137	677,202
Amortisation during the year	1,489,358	1,688,251	901,285	1,120,935
Adjustments / Transfers	80,554	-	80,554	-
Balance as at 31 December	4,572,409	3,002,497	2,779,976	1,798,137
Net book value as at 31 December	3,137,955	3,208,879	2,825,719	2,643,686

Leasehold properties represent the leasehold interest in the lands held for own use. The value of buildings situated in the leasehold land is shown separately 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	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Balance as at 1 January	3,145,009	3,038,363	1,993,416	1,147,303
Additions	1,432,829	1,414,196	1,065,148	1,536,474
Accretion of Interest	422,289	501,445	321,640	392,294
Payments	(2,063,068)	(1,808,995)	(1,172,878)	(1,082,655)
Adjustments / Transfers	25,819	-	25,819	-
Balance as at 31 December	2,962,878	3,145,009	2,233,145	1,993,416

35.1.1 Maturity Analysis of Lease Liability

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
As at 31 December				
Less than 1 year	1,126,640	563,893	849,158	357,415
1 to 5 years	1,007,120	1,787,997	759,074	1,133,295
More than 5 years	829,118	793,119	624,913	502,706
Total lease liability	2,962,878	3,145,009	2,233,145	1,993,416

NOTES TO THE FINANCIAL STATEMENTS

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%	(66,614)	(55,251)	450
	-1%	70,125	57,828	(234)
Lease Term	Increased by 1 Year	2,129,978	2,300,293	(425,502)

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	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Cost				
Balance as at 1 January	4,027,760	3,660,565	4,660,802	4,256,858
Additions during the year	471,365	367,195	471,365	401,078
Disposals during the year	(16)	-	(16)	(293)
Exchange rate adjustment	-	-	15,664	13,878
Adjustments / Transfers	-	-	-	(10,719)
Balance as at 31 December	4,499,109	4,027,760	5,147,815	4,660,802
Accumulated amortisation				
Balance as at 1 January	3,050,251	2,571,103	3,475,577	2,932,545
Amortisation during the year	482,935	479,148	518,867	531,323
Disposals during the year	(16)	-	(16)	-
Exchange rate adjustment	-	-	12,842	11,709
Balance as at 31 December	3,533,170	3,050,251	4,007,270	3,475,577
Computer software under development	74,046	43,372	74,046	43,372
Net book value as at 31 December	1,039,985	1,020,881	1,214,591	1,228,597

36.1 Fully Amortised Intangible Assets

The initial cost of fully amortised intangible assets which are still in use are as follows;

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
As at 31 December				
Computer software	2,084,744	1,851,374	2,192,822	1,958,249
Total fully amortised intangible assets	2,084,744	1,851,374	2,192,822	1,958,249

37 Deferred Tax (Assets) / Liabilities

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- The initial recognition of goodwill
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- Differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the Reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each Reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The following table shows deferred tax recorded in the Statement of Financial Position and charge / (reversal) recorded in the "Income tax expense" (Note 18.2).

NOTES TO THE FINANCIAL STATEMENTS

37.1 Bank

As at 31 December	2021				2020			
	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	1,287,358	-	300,760	(2,024,826)	-	3,011,424	(99,623)	3,007,330
Revaluation of Property, Plant and Equipment	(5,413,844)	-	2,879	979,181	-	(6,395,904)	19,571	(1,941,235)
Investment in financial instruments	(289,677)	-	-	361,867	-	(651,544)	-	(111,635)
Temporary difference of provision for impairment	7,185,087	-	2,466,153	-	-	4,718,934	1,132,948	-
Other temporary differences	(616,212)	-	990,160	-	-	(1,606,372)	1,661,203	-
Total	2,152,712	-	3,759,952	(683,778)	-	(923,462)	2,714,099	954,460

37.1 Group

As at 31 December	2021				2020			
	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	1,287,358	86,874	307,175	(2,040,425)	84,457	3,023,025	(102,984)	3,020,118
Revaluation of Property, Plant and Equipment	(5,413,844)	(1,944,383)	170,536	1,144,315	(62,380)	(8,610,698)	982,204	(2,176,773)
Investment in financial instruments	(289,677)	-	-	361,867	-	(651,544)	-	(111,635)
Temporary difference of provision for impairment	7,185,087	1,411	2,345,268	-	122,296	4,718,934	1,233,730	-
Other temporary differences	(555,077)	(297,211)	1,000,726	-	(67,500)	(1,785,514)	597,346	-
Total	2,213,847	(2,153,309)	3,823,705	(534,243)	76,873	(3,305,797)	2,710,296	731,710

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 Retirement Benefit Plans".

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Consumable stock in hand	754,191	686,401	794,572	703,968
Prepaid staff cost	16,867,864	15,128,454	16,867,864	15,128,454
Cheques in transit - Local	1,185,645	1,053,547	1,185,645	1,053,547
Cheques in transit - Foreign	4,001	7,550	4,001	7,550
Tax recoverable [Note 45]	-	-	-	10,388
Gold bullion and coins in hand	71,033	47,495	71,033	47,495
Net employee benefit asset [Note 48]	17,270,991	13,318,122	17,270,991	13,318,122
Other	25,734,861	20,051,430	27,068,200	20,919,953
Total other assets	61,888,586	50,292,999	63,262,306	51,189,477

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.

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Deposits from other banks	2,077,897	1,963,629	2,077,897	1,963,629
Bank overdrafts	15,858,173	438,414	16,568,442	664,805
Total due to banks	17,936,070	2,402,043	18,646,339	2,628,434

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 to reflect the transaction's economic substance as a borrowing to the Group. The difference between the sale and repurchase prices is treated as interest expense and is amortised over the life of agreement using EIR.

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
With Banks	104,006,820	10,559,996	103,518,742	10,486,173
With Customers	58,149,593	46,546,656	58,149,593	47,211,607
Total Securities sold under repurchase agreements	162,156,413	57,106,652	161,668,335	57,697,780

NOTES TO THE FINANCIAL STATEMENTS

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	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
As at 31 December				
Foreign Currency Derivatives				
Forward exchange contracts	17,297	16,192	17,297	16,192
Currency SWAPs	363,031	85,990	363,031	85,990
Total derivative financial instruments	380,328	102,182	380,328	102,182

42 Financial Liabilities at Amortised Cost - Due to Depositors

Accounting Policy

Financial liabilities at amortised cost - due to depositors include non-interest-bearing deposits, savings deposits, term deposits, deposits payable at call and certificate of deposits, which are initially recognised at fair value. Subsequent to initial recognition, deposits are measured at their amortised cost using the Effective Interest Rate (EIR) method, except where the Group designates liabilities at fair value through profit or loss. The EIR amortisation is included in "Interest Expenses" (Note 8.2) in the Statement of Profit or Loss.

42.1 By Product

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
As at 31 December				
Local currency deposits				
Demand deposits	177,165,938	137,045,468	176,742,512	136,886,276
Savings deposits	680,053,160	582,379,867	680,964,033	583,280,576
Time deposits	1,388,690,770	1,195,753,018	1,405,966,371	1,212,137,999
Other deposits	7,824,661	4,019,586	7,832,191	4,024,106
Total local currency deposits	2,253,734,529	1,919,197,939	2,271,505,107	1,936,328,957
Foreign currency deposits				
Demand deposits	34,897,193	28,108,479	35,562,840	28,716,661
Savings deposits	130,077,505	110,117,781	130,843,659	110,573,639
Time deposits	446,734,788	416,595,373	446,875,493	416,735,118
Other deposits	1,449,995	755,916	1,449,995	755,916
Total foreign currency deposits	613,159,481	555,577,549	614,731,987	556,781,334
Total deposits	2,866,894,010	2,474,775,488	2,886,237,094	2,493,110,291

42.2 By Currency

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Sri Lankan Rupee (LKR)	2,253,734,529	1,919,197,939	2,271,505,107	1,936,328,957
United States Dollar (USD)	533,281,802	480,475,765	533,290,823	480,487,512
Great Britain Pound (GBP)	37,483,358	36,379,798	39,038,355	37,563,665
Maldivian Rufiyaa (MVR)	10,312,812	9,175,711	10,312,812	9,175,711
Seychelles Rupee (SCR)	1,618,658	1,116,521	1,618,658	1,116,521
Euro (EUR)	10,924,104	9,284,862	10,932,592	9,293,033
Australian Dollar (AUD)	8,704,561	9,067,676	8,704,561	9,067,676
Indian Rupee (INR)	5,746,469	5,188,852	5,746,469	5,188,852
Other	5,087,717	4,888,364	5,087,717	4,888,364
Total deposits	2,866,894,010	2,474,775,488	2,886,237,094	2,493,110,291

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.

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Standing Lending Facility	251,974,541	-	251,974,541	-
Call borrowings from banks and other financial institutions in Sri Lanka	32,405,282	15,001,869	35,543,284	18,431,963
Term borrowings from banks abroad	117,752,893	116,583,345	118,423,817	117,159,397
Term borrowings from banks and other financial institutions in Sri Lanka	21,346,016	24,617,993	21,304,115	24,829,775
Refinance borrowings	20,629,245	24,680,920	20,629,245	24,680,920
Total other borrowings	444,107,977	180,884,127	447,875,002	185,102,055

NOTES TO THE FINANCIAL STATEMENTS

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	
	2021	2020	2021	2020
As at 31 December	LKR '000	LKR '000	LKR '000	LKR '000
Senior debentures [Note 44.1]	-	-	2,107,182	2,107,493
Total debt securities issued	-	-	2,107,182	2,107,493

Note: The maturity analysis of debt securities issued is given in Note 60.

44.1 Senior Debentures

	Bank		Group	
	2021	2020	2021	2020
As at 31 December	LKR '000	LKR '000	LKR '000	LKR '000
Listed debentures				
Unsecured, redeemable debentures of LKR 100 each	-	-	2,107,182	2,107,493
Total debt securities issued	-	-	2,107,182	2,107,493

44.2 Movement in Senior Debentures

	Bank		Group	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	-	-	2,107,493	2,107,810
Issued during the year	-	-	-	-
Redemptions	-	-	-	-
Amortisation adjustments	-	-	(311)	(317)
Balance as at 31 December	-	-	2,107,182	2,107,493

44.3 Senior Debentures

	Notes	Interest payable frequency	Issue date	Maturity date	Coupon rate		Amount as at 31 December			
							Bank		Group	
					2021 %	2020 %	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Fixed Interest Rate										
Unsecured, redeemable debentures	(a)	Annually	12.05.2017	03.05.2022	15.00	15.00	-	-	884,668	884,981
Unsecured, redeemable debentures	(a)	Semi annually	12.05.2017	03.05.2022	14.50	14.50	-	-	1,221,480	1,221,477
Unsecured, redeemable debentures	(a)	Semi annually	12.05.2017	03.05.2022	13.89	13.89	-	-	1,034	1,035
Total debt securities issued							-	-	2,107,182	2,107,493

Notes :

(a) Debentures that are listed in Colombo Stock Exchange.

45 Current Tax Liabilities / (Assets)

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Balance as at 1 January	591,723	(1,172,018)	764,871	(1,043,712)
Current tax expense	9,359,362	8,500,848	9,777,364	8,649,043
Payments during the year	(8,166,811)	(5,158,415)	(8,399,520)	(5,361,254)
Double tax relief and tax credit	(1,213,722)	(1,090,736)	(1,213,722)	(1,142,142)
Adjustments	77,441	(487,956)	49,539	(337,064)
Closing balance at 31 December	647,993	591,723	978,532	764,871
Current tax assets	-	-	-	(10,388)
Current tax liabilities	647,993	591,723	978,532	775,259
Current tax liabilities/ (assets)	647,993	591,723	978,532	764,871

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.

NOTES TO THE FINANCIAL STATEMENTS

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 Provision - Life

	Group	
	2021	2020
	LKR '000	LKR '000
Balance as at 1 January	498,767	511,091
Increase / (Decrease) in life fund	(61,633)	(67,159)
Fair value reserve	2,800	2,614
Unclaimed benefits	(26,191)	52,221
Balance as at 31 December	413,743	498,767

46.2 Insurance Provision - Non life

	Group	
	2021	2020
	LKR '000	LKR '000
As at 31 December		
Provision for reported claims by policy holders	312,934	333,546
Provision for claims on Incurred But Not Reported (IBNR)	44,312	18,196
Outstanding claims provision	357,246	351,742
Provision for unearned premiums	168,771	137,042
Total insurance provision - Non life	526,017	488,784

47 Other Liabilities

	Bank		Group	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
As at 31 December				
Cheques sent on clearing	342,110	404,821	342,110	404,821
Lease creditors				
Within 12 months	1,126,640	563,893	849,158	357,415
Later than 12 months	1,836,238	2,581,116	1,383,987	1,636,001
Net employee benefit liabilities [Note 48]	22,634,982	24,674,841	23,031,277	25,119,582
Others	20,102,395	16,673,957	21,854,595	17,854,903
Total other liabilities	46,042,365	44,898,628	47,461,127	45,372,722

48 Employee Retirement Benefit Plans

Accounting Policy

The Bank has the pension schemes established under an Industrial Award which are solely funded by the Bank. There are Widows'/Widowers' and Orphans' Pension Schemes established by the members.

The assets of these three plans are held independently of the Bank's assets and administered by Boards of Trustees/ Managers, representing the management and the employees, as provided in the Trust Deed/ Rules of the respective funds.

These funds are subject to annual audits independent to the audit of the Bank, by a firm/s of Chartered Accountants appointed by the members and actuarial valuations are carried out as per the rules governing these funds.

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Net Employee Benefit Liabilities				
Bank of Ceylon Pension Trust Fund [Note 48.1.3]	21,502,584	23,392,461	21,502,584	23,392,461
Provision for terminal gratuity [Note 48.3]	486,334	479,163	882,629	923,904
Provision for encashment of medical leave [Note 48.5]	646,064	803,217	646,064	803,217
Total net employee benefit liabilities	22,634,982	24,674,841	23,031,277	25,119,582
Net Employee Benefit Assets				
Bank of Ceylon Widows'/ Widowers' and Orphans' Pension Fund [Note 48.2.3]	11,752,560	9,915,229	11,752,560	9,915,229
Bank of Ceylon Pension Fund-2014 [Note 48.4.3]	5,518,431	3,402,893	5,518,431	3,402,893
Total net employee benefit assets	17,270,991	13,318,122	17,270,991	13,318,122

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 2021 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)

For the year ended 31 December	Bank/Group	
	2021 LKR '000	2020 LKR '000
Current service cost	153,764	192,127
Net interest expenses	1,848,004	1,468,544
Net benefit expense	2,001,768	1,660,671

NOTES TO THE FINANCIAL STATEMENTS

48.1.2 Amount Recognised in Other Comprehensive Income

	Bank/Group	
	2021	2020
For the year ended 31 December	LKR '000	LKR '000
Actuarial (gains) / losses on the defined benefit obligation	(4,506,689)	8,108,360
Actuarial (gains) / losses on plan assets	1,463,388	(625,020)
Net actuarial (gains) / losses recognised in other comprehensive income	(3,043,301)	7,483,340

48.1.3 Net Retirement Benefit Liability

	Bank/Group	
	2021	2020
As at 31 December	LKR '000	LKR '000
Fair value of plan assets [Note 48.1.4]	50,384,696	54,332,752
Defined benefit obligation [Note 48.1.5]	71,887,280	77,725,213
Net retirement benefit liability	21,502,584	23,392,461

48.1.4 Changes in Fair Value of Plan Assets

	Bank/Group	
	2021	2020
	LKR '000	LKR '000
Balance as at 1 January	54,332,752	55,185,018
Expected return	4,292,288	5,518,502
Contribution by Employer	848,345	436,986
Benefits paid	(7,625,301)	(7,432,774)
Actuarial gains / (losses) on plan assets	(1,463,388)	625,020
Balance as at 31 December	50,384,696	54,332,752

48.1.5 Changes in the Present Value of the Defined Benefit Obligation

	Bank/Group	
	2021	2020
	LKR '000	LKR '000
Balance as at 1 January	77,725,213	69,870,455
Interest cost	6,140,292	6,987,046
Current service cost	153,764	192,127
Benefits paid	(7,625,300)	(7,432,775)
(Gains)/ Losses due to change in assumptions	(7,807,176)	8,161,892
Actuarial (gains)/ losses on obligation	3,300,487	(53,532)
Balance as at 31 December	71,887,280	77,725,213

The present value of the Defined Benefit Obligation as of the valuation date with respect to active employees and pensioners are LKR 4,855.0 million and LKR 67,032.3 million respectively.

48.1.6 Plan Assets Consist of the Following:

As at 31 December	Bank/Group	
	2021 LKR '000	2020 LKR '000
Fixed deposits	29,774,699	27,601,390
Treasury bonds	3,258,899	4,521,596
Debentures	12,627,203	17,502,680
Investment in shares	4,142,440	4,308,714
Others	581,455	398,372
Total plan assets	50,384,696	54,332,752

48.1.7 Actuarial Assumptions

As at 31 December	Bank/Group	
	2021 %	2020 %
Future salary increment rate	6.50 p.a	6.50 p.a
Increase in future Cost of Living Allowance (COLA)	5.00 p.a	3.50 p.a
Increase in pension in payment (Basic)	1.75 p.a	Nil
Discount rate	11.00 p.a	7.90 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 LKR '000	0.5% decrease LKR '000
	Discount rate	69,495,687
Salary increment	71,946,069	71,829,693
Cost of Living Allowance	73,412,676	70,450,268

Further, the remaining years of benefit payments are expected to be 7.59 years.

The following payments are expected from the Pension Trust Fund in future years.

As at 31 December	Bank/Group	
	2021 LKR '000	2020 LKR '000
Within the next 12 months	7,339,857	7,046,675
Between 1 and 5 years	28,844,165	28,795,774
Between 5 and 10 years	17,822,480	19,354,371
Beyond 10 years	17,880,778	22,528,393
Total expected payments	71,887,280	77,725,213

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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 2021 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	
	2021	2020
For the year ended 31 December	LKR '000	LKR '000
Current service cost	7,656	12,555
Net interest income	(818,006)	(1,060,974)
Net benefit expense / (income)	(810,350)	(1,048,419)

48.2.2 Amount Recognised in Other Comprehensive Income

	Bank/Group	
	2021	2020
For the year ended 31 December	LKR '000	LKR '000
Actuarial (gains) / losses on the defined benefit obligation	(2,014,946)	2,096,648
Actuarial (gains) / losses on plan assets	1,046,724	(446,083)
Actuarial (gains)/losses on actuarial valuation	(968,222)	1,650,565

48.2.3 Retirement Benefit Assets

	Bank/Group	
	2021	2020
As at 31 December	LKR '000	LKR '000
Fair value of plan assets [Note 48.2.4]	28,076,481	27,898,687
Defined benefit obligation [Note 48.2.5]	(16,323,921)	(17,983,458)
Retirement benefit assets	11,752,560	9,915,229

48.2.4 Changes in Fair Value of Plan Assets

	Bank/Group	
	2021	2020
	LKR '000	LKR '000
Balance as at 1 January	27,898,687	25,813,906
Expected return	2,301,642	2,620,111
Contribution paid in to plan	58,759	64,432
Benefits paid	(1,135,883)	(1,045,845)
Actuarial gains / (losses) on plan asset	(1,046,724)	446,083
Balance as at 31 December	28,076,481	27,898,687

48.2.5 Changes in the Present Value of the Defined Benefit Obligation

	Bank/Group	
	2021	2020
	LKR '000	LKR '000
Balance as at 1 January	17,983,458	15,360,963
Interest cost	1,483,636	1,559,137
Current service cost	7,656	12,555
Benefits paid	(1,135,883)	(1,045,845)
Actuarial (gains) / losses on obligation	1,102,467	184,741
(Gain) / Losses due to change in assumptions	(3,117,413)	1,911,907
Balance as at 31 December	16,323,921	17,983,458

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 235.3 million, LKR 5,536.6 million and LKR 10,552.1 million respectively.

48.2.6 Plan Assets Consist of the Following:

	Bank/Group	
	2021	2020
As at 31 December	LKR '000	LKR '000
Fixed deposits	25,894,936	25,660,349
Debentures	2,179,788	2,238,218
Others	1,757	120
Total plan assets	28,076,481	27,898,687

48.2.7 Actuarial Assumptions

	Bank/Group	
	2021	2020
	%	%
Future salary increment rate	6.50 p.a	6.50 p.a
Increase in future Cost of Living Allowance (COLA)	5.00 p.a	3.50 p.a
Increase in widows' /widowers' and orphans' pension in payment (Basic)	Nil	Nil
Discount rate	11.30 p.a	8.25 p.a
Attrition rate	Nil	Nil

The Bank uses IALM (2006-2008) Ultimate Mortality Table issued by the Institute of Actuaries of India.

NOTES TO THE FINANCIAL STATEMENTS

Increase / decrease in the following assumptions will 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	15,626,515	17,076,020
Salary increment	16,325,579	16,322,295
Cost of Living Allowance	16,947,783	15,743,868

Further, the remaining years of benefit payments are expected to be 9.84 years.

The following payments are expected from the fund in future years.

	Bank/Group	
	2021	2020
	LKR '000	LKR '000
As at 31 December		
Within the next 12 months	1,193,313	1,066,874
Between 1 and 5 years	5,161,084	4,885,308
Between 5 and 10 years	3,897,462	4,086,831
Beyond 10 years	6,072,062	7,944,445
Total expected payments	16,323,921	17,983,458

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 2021 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".

48.3.1 Changes in present value of provision for Terminal Gratuity

	Bank		Group	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	479,163	370,415	923,904	725,555
Provision charge / (reversal) during the year	80,769	81,196	136,445	151,220
Actuarial (gains) / losses	(53,095)	50,165	(118,090)	102,458
Payments made during the year	(20,503)	(22,613)	(27,358)	(57,313)
Adjustment / transfers	-	-	(32,272)	1,984
Balance as at 31 December	486,334	479,163	882,629	923,904

The principal actuarial assumptions used in the valuation were as follows ;

	Bank/Group	
	2021	2020
	%	%
Future salary increment rate	6.50 p.a	6.50 p.a
Increase in future Cost of Living Allowance (COLA)	5.00 p.a	3.50 p.a
Discount rate	11.30 p.a	8.25 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 10.84 years.

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	0.5% Increase	0.5% Decrease
	LKR '000	LKR '000	LKR '000	LKR '000
Discount rate	463,456	511,019	841,109	927,429
Salary increment	505,639	468,348	917,665	849,987

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 2021 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)

For the year ended 31 December	Bank/Group	
	2021	2020
	LKR '000	LKR '000
Current service cost	574,227	685,489
Past service cost	1,303,760	-
Net interest income	(289,246)	(323,409)
Net benefit expense	1,588,741	362,080

48.4.2 Amount Recognised in Other Comprehensive Income

For the year ended 31 December	Bank/Group	
	2021	2020
	LKR '000	LKR '000
Actuarial (gains) / losses on the defined benefit obligation	(2,987,761)	691,949
Actuarial (gains) / losses on plan assets	531,552	(455,820)
Net actuarial (gains) / losses recognised in other comprehensive income	(2,456,209)	236,129

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48.4.3 Retirement Benefit Assets

As at 31 December	Bank/Group	
	2021 LKR '000	2020 LKR '000
Fair value of plan assets	12,512,509	10,940,840
Defined benefit obligation	(6,994,078)	(7,537,947)
Net retirement benefit assets	5,518,431	3,402,893

48.4.4 Changes in Fair Value of Plan Assets

	Bank/Group	
	2021 LKR '000	2020 LKR '000
Balance as at 1 January	10,940,840	8,637,786
Expected return	929,971	924,243
Contribution by Employer	1,248,070	978,592
Benefits paid	(74,820)	(55,601)
Actuarial gains / (losses) on plan asset	(531,552)	455,820
Balance as at 31 December	12,512,509	10,940,840

48.4.5 Changes in the Present Value of the Defined Benefit Obligation

	Bank/Group	
	2021 LKR '000	2020 LKR '000
Balance as at 1 January	7,537,947	5,615,276
Interest cost	640,725	600,834
Past Service Cost	1,303,760	-
Current service cost	574,227	685,489
Benefits paid	(74,820)	(55,601)
Actuarial (gains) / losses on obligation	308,880	(71,535)
(Gains) / losses due to change in assumptions	(3,296,641)	763,484
Balance as at 31 December	6,994,078	7,537,947

The present value of the Defined Benefit Obligation as of the valuation date with respect to active employees and pensioners are LKR 6,925.2 million and LKR 68.9 million respectively.

48.4.6 Plan Assets Consist of the Following

As at 31 December	Bank/Group	
	2021 LKR '000	2020 LKR '000
Fixed deposits	10,120,432	6,863,930
Debentures	2,390,696	4,075,948
Others	1,381	962
Total plan assets	12,512,509	10,940,840

48.4.7 Actuarial Assumptions

	Bank/Group	
	2021	2020
	%	%
Future salary increment rate	6.50 p.a	6.50 p.a
Increase in future Cost of Living Allowance (COLA)	5.00 p.a	3.50 p.a
Increase in pension in payment (Basic)	Nil	Nil
Discount rate	11.50 p.a	8.75 p.a
Attrition rate	Nil	Nil

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	6,344,964	7,731,107
Salary increment	7,420,210	6,605,527
Cost of Living Allowance	7,146,526	6,855,653

Further, the remaining years of benefit payments are expected to be 22.12 years.

The following payments are expected from the Pension Fund in future years.

	Bank/Group	
	2021	2020
As at 31 December	LKR '000	LKR '000
Within the next 12 months	36,840	6,181
Between 1 and 5 years	373,982	90,221
Between 6 and 10 years	749,255	362,545
Beyond 10 years	5,834,001	7,079,000
Total expected payments	6,994,078	7,537,947

48.5 Provision for encashment of medical leave

	Bank/Group	
	2021	2020
	LKR '000	LKR '000
Balance as at 1 January	803,217	601,634
Provision charge / (reversal) during the year	66,265	60,765
Actuarial (gain) / losses	(189,774)	174,714
Payments made during the year	(33,644)	(33,896)
Balance as at 31 December	646,064	803,217

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The principal actuarial assumptions used in the valuation were as follows :

	Bank/Group	
	2021	2020
	%	%
Future salary increment rate	6.50 p.a	6.50 p.a
Increase in future Cost of Living Allowance (COLA)	5.00 p.a	3.50 p.a
Discount rate	11.30 p.a	8.50 p.a

The Bank uses IALM (2006-2008) Ultimate Mortality Table issued by the Institute of Actuaries of India. Further, the remaining year of benefit payments are expected to be 16.09 years.

Increase / decrease in the following assumptions will change the present value of defined benefit obligations as illustrated below:

	Bank/Group	
	0.5% increase	0.5% decrease
	LKR '000	LKR '000
Discount rate	601,467	695,371
Salary increment	684,827	610,856

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	
	2021	2020	2021	2020
As at 31 December	LKR '000	LKR '000	LKR '000	LKR '000
Listed debentures				
Unsecured, subordinated, redeemable debentures of LKR 100 each	8,014,827	17,246,663	8,014,827	17,236,653
Unlisted debentures				
Unsecured, subordinated, redeemable debentures of LKR 100 each (private placement)	37,546,648	32,092,568	37,546,648	32,092,568
Additional Tier I capital bond				
Unsecured, subordinated, perpetual capital bonds of LKR 100 each (private placement)	18,797,380	15,298,176	18,544,495	15,298,176
Total subordinated term debts	64,358,855	64,637,407	64,105,970	64,627,397

49.1 The Movement in Subordinated Liabilities

	Bank		Group	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	64,637,407	54,221,552	64,627,397	54,211,542
Issued during the year	8,750,000	15,000,000	8,500,000	15,000,000
Redemptions during the year	(9,232,254)	(4,779,196)	(9,222,244)	(4,779,196)
Amortisation adjustments	203,702	195,051	200,817	195,051
Balance as at 31 December	64,358,855	64,637,407	64,105,970	64,627,397

49.2 Type of debentures

	Notes	Interest payable frequency	Issue date	Maturity date	Coupon rate		Amount as at 31 December				
					2021	2020	Bank		Group		
							%	%	LKR '000	LKR '000	LKR '000
Fixed interest rate											
Listed, unsecured, subordinated, redeemable debentures	(a)	Annually	25.10.2013	24.10.2021	-	13.25	-	1,226,594	-	1,226,594	
Listed, unsecured, subordinated, redeemable debentures	(a)	Annually	25.10.2013	24.10.2022	13.25	13.25	1,227,205	1,227,617	1,227,205	1,227,617	
Listed, unsecured, subordinated, redeemable debentures	(a)	Annually	25.10.2013	24.10.2023	13.75	13.75	1,637,573	1,638,142	1,637,573	1,638,142	
Listed, unsecured, subordinated, redeemable debentures	(a)	Annually	22.09.2014	21.09.2022	8.25	8.25	1,873,393	1,873,793	1,873,393	1,873,793	
Listed, unsecured, subordinated, redeemable debentures	(a)	Annually	06.10.2015	05.10.2023	9.50	9.50	1,205,286	1,205,580	1,205,286	1,205,580	
Listed, unsecured, subordinated, redeemable debentures	(a)	Annually	29.12.2016	28.12.2021	-	13.25	-	8,003,631	-	7,993,621	
Listed, unsecured, subordinated, redeemable debentures	(a)	Annually	29.12.2016	28.12.2024	12.75	12.75	784	784	784	784	
Unlisted, unsecured, subordinated, redeemable debentures		Annually	29.12.2017	28.12.2022	12.50	12.50	5,003,321	5,004,843	5,003,321	5,004,843	
Unlisted, unsecured, subordinated, redeemable debentures		Annually	29.12.2017	28.12.2025	12.75	12.75	5,003,300	5,004,934	5,003,300	5,004,934	
Unlisted, unsecured, subordinated, redeemable debentures		Annually	31.07.2018	30.07.2026	12.00	12.00	7,026,897	7,028,208	7,026,897	7,028,208	
Unlisted, unsecured, subordinated, redeemable debentures		Annually	03.12.2018	02.12.2023	12.00	12.00	5,347,308	5,347,957	5,347,308	5,347,957	
Unlisted, unsecured, subordinated, redeemable debentures		Annually	27.06.2019	26.06.2024	11.75	11.75	3,176,646	3,176,666	3,176,646	3,176,666	
Unlisted, unsecured, subordinated, redeemable debentures		Annually	17.07.2019	16.07.2024	11.80	11.80	1,104,096	1,104,102	1,104,096	1,104,102	
Unlisted, unsecured, subordinated, redeemable debentures		Annually	18.07.2019	17.07.2024	11.80	11.80	2,315,172	2,315,186	2,315,172	2,315,186	
Unlisted, unsecured, subordinated, redeemable debentures		Annually	23.07.2019	22.07.2024	11.80	11.80	2,626,523	2,626,817	2,626,523	2,626,817	
Unlisted, unsecured, subordinated, redeemable debentures		Annually	24.07.2019	23.07.2024	11.50	11.50	419,672	419,674	419,672	419,674	
Unlisted, unsecured, subordinated, redeemable debentures		Annually	26.07.2019	25.07.2027	11.75	11.75	64,176	64,181	64,176	64,181	
Total fixed interest rate subordinated debentures											
								38,031,352	47,268,709	38,031,352	47,258,699

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	Notes	Interest payable frequency	Issue date	Maturity date	Coupon rate		Amount as at 31 December			
					2021	2020	Bank		Group	
					%	%	LKR '000	LKR '000	LKR '000	LKR '000
Floating interest rate										
Listed, unsecured, subordinated, redeemable debentures (6 months TB rate (Gross) plus 100 basis points)	(a)/(b)	Semi annually	25.10.2013	24.10.2021	-	4.87	-	1,009	-	1,009
Listed, unsecured, subordinated, redeemable debentures (6 months TB rate (Gross) plus 50 basis points)	(a)/(b)	Semi annually	22.09.2014	21.09.2022	6.45	5.14	31	30	31	30
Listed, unsecured, subordinated, redeemable debentures (6 months TB rate (Gross) plus 125 basis points)	(a)/(b)	Semi annually	06.10.2015	05.10.2023	6.35	5.89	2,070,535	2,068,443	2,070,535	2,068,443
Listed, unsecured, subordinated, redeemable debentures (6 months TB rate (Gross) plus 125 basis points)	(a)/(b)	Semi annually	29.12.2016	28.12.2021	-	6.03	-	1,020	-	1,020
Listed, unsecured, subordinated, redeemable debentures (6 months TB rate (Gross) plus 125 basis points)	(a)/(b)	Semi annually	29.12.2016	28.12.2024	6.42	6.03	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%)		Semi annually	22.11.2021	22.11.2026	10.53	-	5,459,537	-	5,459,537	-
Total floating interest rate subordinated debentures							7,530,123	2,070,522	7,530,123	2,070,522
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	9.50	9.50	5,226,898	5,226,897	5,226,898	5,226,897
Unlisted, unsecured, subordinated, perpetual capital bond (Weighted average 12 months TB (net) rate plus 150 basis points with a Floor rate of 9.0%)		Annually	01.12.2020	N/A	9.00	9.00	10,076,290	10,071,279	10,076,290	10,071,279
Unlisted, unsecured, subordinated, perpetual capital bond (Weighted average 12 months TB (Net) rate plus 150 basis points with a Floor rate of 9.0%)		Annually	06.07.2021	N/A	9.00	-	3,494,192	-	3,241,307	-
Total Additional Tier I capital bonds							18,797,380	15,298,176	18,544,495	15,298,176
Total subordinated debentures							64,358,855	64,637,407	64,105,970	64,627,397

Notes :

- a) Debentures that are listed in the Colombo Stock Exchange.
- b) Weighted average 6 months Treasury Bill interest rate before deducting relevant tax at the primary quotations as announced by the Central Bank of Sri Lanka, at the preceding week of the interest resetting date.

50 Share Capital

50.1 Ordinary Shares

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
As at 31 December				
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 ordinary 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

50.2 Net Assets Value Per Share

	Bank		Group	
	2021	2020	2021	2020
As at 31 December				
Amount used as the numerator				
Total equity attributable to equity holder of the Bank (LKR '000)	200,759,832	156,659,383	213,807,332	167,689,027
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)	8,030.39	6,266.38	8,552.29	6,707.56

51 Permanent Reserve Fund

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Balance as at 1 January	13,739,000	13,383,000	13,739,000	13,383,000
Transfers during the year	752,000	356,000	752,000	356,000
Balance as at 31 December	14,491,000	13,739,000	14,491,000	13,739,000

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 752.0 million was transferred to the permanent reserve during the year 2021 (2020 : LKR 356.0 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.

NOTES TO THE FINANCIAL STATEMENTS

52 Retained Earnings

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Balance as at 1 January	96,983,948	87,689,480	97,463,266	89,140,565
Total comprehensive income for the year	42,334,641	11,241,981	43,283,958	10,270,214
Transfers to permanent reserve fund	(752,000)	(356,000)	(752,000)	(356,000)
Disposal of subsidiaries	-	-	(64,923)	-
Reversal of unclaimed dividend	-	-	1,333	-
Revaluation surplus of disposed property	18,998	4,897	18,998	4,897
Dividend	(1,846,410)	(1,596,410)	(1,846,410)	(1,596,410)
Balance as at 31 December	136,739,177	96,983,948	138,104,222	97,463,266

53 Cash Flow Hedge Reserve

The Bank has entered in to ten USD/LKR funding SWAPs with the Central Bank of Sri Lanka (CBSL) amounting to USD 90 million against the borrowing from foreign Bank during the months of April and June 2021 in order to mitigate the foreign exchange risk and volatility to the profit and loss arising from the USD borrowing. This SWAP agreement has been accounted as per the Hedge Accounting after the testing of Hedge Effectiveness.

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Balance as at 1 January	-	-	-	-
Net gains / (losses) on Cash Flow Hedge instruments	3,239,266	-	3,239,266	-
Balance as at 31 December	3,239,266	-	3,239,266	-

54 Other Reserves

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
As at 31 December				
Revaluation reserve [Note 54.1]	17,356,542	16,681,190	26,302,644	24,853,005
Free reserve [Note 54.2]	169,067	169,067	366,644	366,644
Exchange translation reserve [Note 54.3]	3,176,353	2,381,822	4,461,200	3,335,020
Fair value through OCI reserve [Note 54.4]	588,427	1,704,356	1,483,412	2,573,148
Statutory reserve - other [Note 54.5]	-	-	358,944	358,944
Total other reserves	21,290,389	20,936,435	32,972,844	31,486,761

54.1 Revaluation Reserve

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Balance as at 1 January	16,681,190	11,694,338	24,853,005	19,287,824
Change in revaluation surplus/ (deficit)	(284,831)	6,932,984	345,441	7,774,192
Deferred tax effect on above	979,181	(1,941,235)	1,144,315	(2,176,773)
Revaluation surplus of disposed property	(18,998)	(4,897)	(18,998)	(4,897)
Transferred to non-controlling interest	-	-	(21,119)	(27,341)
Balance as at 31 December	17,356,542	16,681,190	26,302,644	24,853,005

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 supplementary capital in computing capital adequacy ratio, once in every three years.

54.2 Free Reserve

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 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	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Balance as at 1 January	2,381,822	2,370,251	3,335,020	3,101,761
Exchange differences on translation of foreign operations	794,531	11,571	1,126,180	233,259
Balance as at 31 December	3,176,353	2,381,822	4,461,200	3,335,020

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	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Balance as at 1 January	1,704,356	1,976,601	2,573,148	2,571,824
Net gains/ (losses) on investments in debt instruments measured at FVTOCI	(1,246,474)	114,650	(1,256,480)	137,205
Net (gains)/ losses on investments in financial assets at FVTOCI reclassification to profit or loss	(44,002)	(3,521)	(44,002)	(3,521)
Deferred tax effect on above	321,430	(19,946)	321,430	(19,946)
Change in fair value on investments in equity instruments measured at FVTOCI	(187,320)	(271,739)	(155,320)	(805)
Deferred tax effect on above	40,437	(91,689)	40,437	(91,689)
Transferred to non-controlling interest	-	-	4,199	(19,920)
Balance as at 31 December	588,427	1,704,356	1,483,412	2,573,148

54.5 Statutory Reserve - Other

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Balance as at 1 January	-	-	358,944	358,944
Balance as at 31 December	-	-	358,944	358,944

NOTES TO THE FINANCIAL STATEMENTS

55 Non Controlling Interest

As at 31 December	Group	
	2021 LKR '000	2020 LKR '000
Property Development PLC	394,037	258,002
Merchant Bank of Sri Lanka and Finance PLC	722,295	433,710
MBSL Insurance Company Limited	473,127	563,505
Hotels Colombo (1963) Limited	(13)	5
Koladeniya Hydropower (Private) Limited	-	12,565
Total non-controlling interest	1,589,446	1,267,787

56 Notes to the Statement of Cash Flows

56.1 Change in Operating Assets

For the year ended 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Change in deposits with regulatory authorities	(40,769,929)	21,242,584	(40,769,929)	21,242,584
Change in loans and advances to customers	(470,075,352)	(464,099,081)	(472,586,900)	(463,739,545)
Net (increase)/ decrease of financial assets measured at fair value through profit or loss	2,297,870	1,254,136	2,924,527	1,311,841
Net (increase)/ decrease in securities purchased under resale agreements and placements with Banks	22,585,007	17,038,894	23,417,248	20,157,226
Net (increase)/ decrease in derivative financial instruments	(3,793,605)	(416,836)	(3,793,605)	(416,836)
Change in other operating assets	(5,952,879)	12,056,490	(6,345,269)	13,392,978
Total	(495,708,888)	(412,923,813)	(497,153,928)	(408,051,752)

56.2 Change in Operating Liabilities

For the year ended 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Net Increase/ (decrease) in deposits from banks	114,268	639,159	114,268	639,159
Net Increase/ (decrease) in deposits from customers	396,376,559	454,814,133	397,384,841	453,156,697
Net increase/ (decrease) in securities sold under repurchase agreements	105,049,761	22,923,442	103,970,555	22,817,273
Net increase/ (decrease) in short term borrowings	18,090,022	15,595,195	17,797,929	19,025,289
Net increase/ (decrease) in derivative financial instruments	278,146	(4,495)	278,146	(4,495)
Change in other operating liabilities	15,429,193	2,755,011	16,404,284	1,821,472
Total	535,337,949	496,722,445	535,950,023	497,455,395

56.3 Other Non Cash Items Included in Profit Before Tax

For the year ended 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
(Gains) / Losses on revaluation of foreign exchange	(4,529,610)	(1,325,123)	(4,529,610)	(1,325,123)
Contribution paid to defined benefit plans	2,927,193	1,116,293	2,991,611	1,194,127
Impairment charges	43,733,731	31,232,178	43,661,965	32,032,073
Depreciation of investment property	119,478	117,673	6,666	2,906
Depreciation of Property, Plant and Equipment	2,054,485	1,969,456	2,812,815	2,735,988
Amortisation of intangible assets and leasehold properties	1,972,293	2,167,399	1,420,152	1,652,258
Accrual for expenses and other non cash items	73,818	4,685,995	22,045	4,686,559
Total	46,351,388	39,963,871	46,385,644	40,978,788

57 Contingent Liabilities and Commitments

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard LKAS 37 - "Provisions, Contingent Liabilities and Contingent Assets".

In the normal course of business, the Bank undertakes commitments and incurs contingent liabilities with legal recourse to its customers to accommodate the financial and investment needs of clients, to conduct trading activities and to manage its own exposure to risk. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans. Operating lease commitments of the Bank (as a lessor and as a lessee) and pending legal claims against the Bank also form part of commitments of the Bank.

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote. These financial instruments generate interest or fees and carries elements of credit risk in excess of those amounts recognised as assets and liabilities in the Statement of Financial Position. However, no material losses are anticipated as a result of these transactions.

These commitments and contingencies are quantified below;

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Contingent liabilities [Note 57.1]	698,181,700	406,269,864	716,295,509	425,311,844
Undrawn and undisbursed facilities [Note 57.2]	164,240,074	178,855,060	164,356,319	179,151,389
Capital commitments [Note 57.3.2]	12,481,176	10,339,328	12,550,785	10,431,080
Lease commitments [Note 57.4]	4,453,525	4,746,435	4,568,883	4,775,574
Total contingent liabilities and commitments	879,356,475	600,210,687	897,771,496	619,669,887

NOTES TO THE FINANCIAL STATEMENTS

57.1 Contingent Liabilities

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Acceptances and documentary credit	274,415,072	188,518,672	274,922,936	188,586,174
Bills for collection	29,141,466	20,100,204	29,141,466	20,100,204
Forward exchange contracts	126,597,458	45,012,605	126,597,458	45,012,605
Guarantees	157,348,930	124,846,871	157,507,429	125,046,318
Other commitments [Note 57.1.1]	110,678,774	27,791,512	128,126,220	46,566,543
Total contingent liabilities	698,181,700	406,269,864	716,295,509	425,311,844

57.1.1 Other Commitments

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Sale commitment of securities for secondary market	-	2,013,532	-	2,013,532
Purchase commitment of securities for secondary market	-	1,482,003	-	1,482,003
Purchase commitment of securities for primary market	-	430,831	-	430,831
Forward Exchange contract with Financial institutions	126,407	56,155	126,407	56,155
Currency Swaps	110,552,367	23,808,991	127,390,596	41,841,069
Other commitments	-	-	609,217	742,953
Total other commitments	110,678,774	27,791,512	128,126,220	46,566,543

57.2 Undrawn and Undisbursed Facilities

The unutilised value of irrevocable commitments, which cannot be withdrawn at the discretion of the Bank, without risk of incurring significant penalties or expenses are as follows:

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Undisbursed amount of loans	78,782,172	55,613,906	78,782,185	55,817,390
Undrawn limits of overdrafts	62,093,293	75,989,563	62,209,524	76,082,407
Undrawn limits of credit cards	10,795,829	10,411,203	10,795,829	10,411,203
Undrawn limits of letters of credit	6,757,030	17,819,300	6,757,030	17,819,300
Undrawn limits of letters of guarantee	5,811,750	19,021,088	5,811,751	19,021,089
Total undrawn and undisbursed facilities	164,240,074	178,855,060	164,356,319	179,151,389

57.3 Capital Commitments

Capital expenditure approved by the Directors, for which, no provision has been made in the Financial Statements, amounts to;

57.3.1 Capital Commitments in Relation to Property, Plant and Equipment

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Approved and contracted for	3,998,733	5,319,067	4,059,060	5,410,819
Approved but not contracted for	6,507,422	3,516,127	6,512,004	3,516,127
Total capital commitments in relation to Property, Plant and Equipment	10,506,155	8,835,194	10,571,064	8,926,946

57.3.2 Capital Commitments in Relation to Intangible Assets

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Approved and contracted for	655,021	1,099,134	656,521	1,099,134
Approved and not contracted for	1,320,000	405,000	1,323,200	405,000
Total capital commitments in relation to intangible assets	1,975,021	1,504,134	1,979,721	1,504,134
Total capital commitments	12,481,176	10,339,328	12,550,785	10,431,080

57.4 Lease Commitments

57.4.1 Operating Lease Commitments

Future minimum lease payments under non-cancellable operating leases, where the Bank / Group is the lessee, are as follows;

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Not later than 1 year	1,191,858	1,591,219	1,208,027	1,595,433
Later than 1 year and not later than 5 years	1,884,049	2,083,566	1,975,817	2,104,416
Later than 5 years	1,377,618	1,071,650	1,384,194	1,073,781
Total operating lease commitments	4,453,525	4,746,435	4,568,038	4,773,630

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 / Group is the lessee, are as follows;

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Not later than 1 year	-	-	845	1,944
Later than 1 year and not later than 5 years	-	-	-	-
Total finance lease commitments	-	-	845	1,944
Total lease commitments	4,453,525	4,746,435	4,568,883	4,775,574

57.5 Tax assessments against the Bank

Tax assessments on income tax in relation to the year 2016, VAT on financial services (in relation to the years from 2012 to 2017) and NBT on financial services (in relation to the years from 2014 to 2017) received by the Bank are outstanding and have been duly appealed by the Bank.

The Management is confident that favorable outcome would arise to Bank on behalf of the assessments raised by Inland Revenue Department.

NOTES TO THE FINANCIAL STATEMENTS

57.6 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 2021, claims for the Legal Actions against the Bank approximately amount to LKR 16,515.0 million (2020: LKR 6,135.3 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;

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Borrowings				
Securities sold under repurchase agreements	162,156,413	57,106,652	161,668,335	57,697,780
	162,156,413	57,106,652	161,668,335	57,697,780
Secured by ;				
Treasury bills	-	4,110,054	-	4,110,054
Treasury bonds	169,050,380	60,953,927	168,541,552	61,545,055
Total assets pledged as securities	169,050,380	65,063,981	168,541,552	65,655,109

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.

Bank has identified following non adjusting events which require disclosures in the financial statements.

Surcharge Tax

As per the Bill governing the imposition and administration of the Surcharge Tax published in the Gazette on 7 February 2022, the Bank is liable for Surcharge Tax of LKR 6,738.5 million (Group - LKR 7,044.2 million) on the taxable income of the year of assessment commencing from 1 April 2020. According to the Bill, the Surcharge Tax was calculated at the rate of 25% on taxable income for the year of assessment 2020/2021, if the aggregate taxable income of all subsidiaries and holding company for the year exceeds LKR 2,000 million and shall be deemed to be an expenditure in the Financial Statements relating to the year of assessment 2020/2021.

Social Security Contribution

As per the Budget proposals for the year 2022, Social Security Contribution will be a levy charged on excess over annual turnover Rs.120 million at the rate of 2.5% with effect from 1 April 2022 and introduced by the Government for rebuilding the economy affected by the COVID-19 pandemic.

60 Maturity Analysis of Assets and Liabilities

60.1 The analysis of total assets and liabilities of the Bank and the Group into relevant maturity groupings based on the remaining period as at 31 December 2021 in to the contractual maturity date, is given in the table below;

As at 31 December 2021	Bank			Group		
	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000
Assets						
Cash and cash equivalents	82,647,406	-	82,647,406	82,313,908	-	82,313,908
Balances with Central Banks	74,121,781	-	74,121,781	74,121,781	-	74,121,781
Placements with banks	4,957,417	-	4,957,417	5,342,369	-	5,342,369
Securities purchased under resale agreements	2,074,474	-	2,074,474	2,976,664	-	2,976,664
Derivative financial instruments	4,342,531	-	4,342,531	4,342,531	-	4,342,531
Financial assets measured at fair value through profit or loss	5,060,254	4,169,768	9,230,022	5,457,377	4,183,436	9,640,813
Financial assets measured at amortised cost - loans and advances	1,170,342,892	1,243,419,399	2,413,762,291	1,182,818,324	1,263,512,005	2,446,330,329
Financial assets measured at amortised cost - debt instruments	237,438,393	844,741,483	1,082,179,876	237,561,404	845,276,258	1,082,837,662
Financial assets measured at fair value through OCI	2,076,130	16,226,426	18,302,556	4,819,037	18,060,773	22,879,810
Investment in subsidiary companies	-	8,181,138	8,181,138	-	-	-
Investment in associate companies	-	92,988	92,988	-	595,531	595,531
Investment properties	-	2,414,640	2,414,640	-	107,704	107,704
Property, Plant and Equipment	-	32,757,485	32,757,485	-	46,944,191	46,944,191
Right of Use Assets/ Leasehold properties	-	3,137,955	3,137,955	-	2,825,719	2,825,719
Intangible assets	-	1,039,985	1,039,985	-	1,214,591	1,214,591
Deferred tax assets	-	2,152,712	2,152,712	-	2,213,847	2,213,847
Other assets	29,452,642	32,435,944	61,888,586	30,498,630	32,763,676	63,262,306
Total assets	1,612,513,920	2,190,769,923	3,803,283,843	1,630,252,025	2,217,697,731	3,847,949,756
Percentage (%)	42.4%	57.6%	100.0%	42.4%	57.6%	100.0%

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2021	Bank			Group		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Liabilities						
Due to banks	17,936,070	-	17,936,070	18,646,339	-	18,646,339
Securities sold under repurchase agreements	162,156,413	-	162,156,413	161,668,335	-	161,668,335
Derivative financial instruments	380,328	-	380,328	380,328	-	380,328
Financial liabilities at amortised cost - due to depositors	2,789,073,317	77,820,693	2,866,894,010	2,803,243,073	82,994,021	2,886,237,094
Financial liabilities at amortised cost - other borrowings	397,947,404	46,160,573	444,107,977	401,229,613	46,645,389	447,875,002
Debt securities issued	-	-	-	-	2,107,182	2,107,182
Current tax liabilities	647,993	-	647,993	978,532	-	978,532
Deferred tax liabilities	-	-	-	-	2,153,309	2,153,309
Insurance provision - Life	-	-	-	-	413,743	413,743
Insurance provision - Non life	-	-	-	-	526,017	526,017
Other liabilities	23,834,644	22,207,721	46,042,365	23,831,718	23,629,409	47,461,127
Subordinated liabilities	8,103,950	56,254,905	64,358,855	8,103,950	56,002,020	64,105,970
Equity	3,827,693	196,932,139	200,759,832	4,722,678	210,674,100	215,396,778
Total liabilities and Equity	3,403,907,812	399,376,031	3,803,283,843	3,422,804,566	425,145,190	3,847,949,756
Percentage (%)	89.5%	10.5%	100.0%	89.0%	11.0%	100.0%
Net gap	(1,791,393,892)	1,791,393,892	-	(1,792,552,541)	1,792,552,541	-

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 2020 in to the contractual maturity date, is given in the table below ;

As at 31 December 2020	Bank			Group		
	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000
Assets						
Cash and cash equivalents	84,416,624	-	84,416,624	83,198,445	-	83,198,445
Balances with Central Banks	33,351,852	-	33,351,852	33,351,852	-	33,351,852
Placements with banks	23,206,238	4,409,613	27,615,851	23,504,356	4,409,613	27,913,969
Securities purchased under resale agreements	2,001,047	-	2,001,047	3,822,312	-	3,822,312
Derivative financial instruments	548,926	-	548,926	548,926	-	548,926
Financial assets measured at fair value through profit or loss	3,623,677	6,232,543	9,856,220	3,880,933	6,988,538	10,869,471
Financial assets measured at amortised cost - loans and advances	752,291,850	1,236,117,157	1,988,409,007	764,748,538	1,253,645,192	2,018,393,730
Financial assets measured at amortised cost - debt instruments	222,027,694	502,362,478	724,390,172	222,085,106	503,494,479	725,579,585
Financial assets measured at fair value through OCI	2,315,503	13,046,977	15,362,480	3,585,441	14,328,337	17,913,778
Investment in subsidiary companies	-	6,513,048	6,513,048	-	-	-
Investment in associate companies	-	92,988	92,988	-	510,084	510,084
Investment properties	-	2,534,118	2,534,118	-	114,370	114,370
Property, Plant and Equipment	-	33,366,003	33,366,003	-	47,418,620	47,418,620
Right of Use Assets/ Leasehold properties	-	3,208,879	3,208,879	-	2,643,686	2,643,686
Intangible assets	-	1,020,881	1,020,881	-	1,228,597	1,228,597
Deferred tax assets	-	-	-	-	76,873	76,873
Other assets	23,321,873	26,971,126	50,292,999	23,934,190	27,255,287	51,189,477
Total assets	1,147,105,284	1,835,875,811	2,982,981,095	1,162,660,099	1,862,113,676	3,024,773,775
Percentage (%)	38.5%	61.5%	100.0%	38.4%	61.6%	100.0%

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As at 31 December 2020	Bank			Group		
	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000
Liabilities						
Due to banks	2,402,043	-	2,402,043	2,628,434	-	2,628,434
Securities sold under repurchase agreements	57,106,652	-	57,106,652	57,697,780	-	57,697,780
Derivative financial instruments	102,182	-	102,182	102,182	-	102,182
Financial liabilities at amortised cost - due to depositors	2,413,251,265	61,524,223	2,474,775,488	2,425,421,782	67,688,509	2,493,110,291
Financial liabilities at amortised cost - other borrowings	180,884,127	-	180,884,127	183,502,564	1,599,491	185,102,055
Debt securities issued	-	-	-	-	2,107,493	2,107,493
Current tax liabilities	591,723	-	591,723	775,259	-	775,259
Deferred tax liabilities	-	923,462	923,462	-	3,305,797	3,305,797
Insurance provision - Life	-	-	-	-	498,767	498,767
Insurance provision - Non life	-	-	-	-	488,784	488,784
Other liabilities	19,820,867	25,077,761	44,898,628	19,008,818	26,363,904	45,372,722
Subordinated liabilities	9,232,254	55,405,153	64,637,407	9,232,254	55,395,143	64,627,397
Equity	1,704,356	154,955,027	156,659,383	2,573,147	166,383,667	168,956,814
Total liabilities and Equity	2,685,095,469	297,885,626	2,982,981,095	2,700,942,220	323,831,555	3,024,773,775
Percentage (%)	90.0%	10.0%	100.0%	89.3%	10.7%	100.0%
Net gap	(1,537,990,185)	1,537,990,185	-	(1,538,282,121)	1,538,282,121	-

61 Related Party Disclosures

The Bank has entered into transactions with the parties who are defined as related parties in Sri Lanka Accounting Standard LKAS 24 - "Related Party Disclosures". i.e. significant investors, Subsidiary and Associate companies, post employment benefit plans for the Bank's employees, Key Management Personnel (KMP), Close Family Members (CFMs) of KMP and other related entities. Those transactions include lending activities, acceptance and placements, off-balance sheet transactions and provision of other banking and financial services that are carried out in the ordinary course of business on an arm's length basis at commercial rates, except for the transactions that KMP have availed under schemes uniformly applicable to all the staff at concessionary rates.

61.1 Parent and the Ultimate Controlling Party

Bank of Ceylon is a Government owned bank.

61.2 Key Management Personnel (KMP) and their Close Family Members (CFMs)

61.2.1 Compensation to Key Management Personnel (KMP) and their Close Family Members (CFMs)

As per the Sri Lanka Accounting Standard LKAS 24 - "Related Party Disclosures", the KMP include those who are having authority and responsibility for planning, directing and controlling the activities of the Bank. Accordingly, the Board of Directors and selected key members of the Corporate Management are identified as KMP who meet the above criteria.

CFMs are defined as family members who may be expected to influence or be influenced by, that KMP in their dealings with the entity, i.e. spouse, children under 18 years of age and dependants of KMP. Dependant is defined as anyone who depends on the respective KMP for more than 50% of his or her financial needs.

Compensation to KMP of the Bank

	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
For the year ended 31 December				
Short term employment benefits	19,593	17,864	20,538	18,310
Post employment benefits	4,469	4,412	4,469	4,412
Total	24,062	22,276	25,007	22,722

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	
	2021 LKR '000	2020 LKR '000
For the year ended 31 December		
Interest income	479	687
Interest expenses	5,762	1,820
Compensation to KMP	24,062	22,276

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(b) Items in Statement of Financial Position

As at 31 December	KMP and CFMs	
	2021 LKR '000	2020 LKR '000
Assets		
Loans	7,184	8,476
Overdrafts	-	41
Credit cards	-	19
	7,184	8,536
Liabilities		
Due to customers	114,058	26,796
Debentures	-	2,554
	114,058	29,350

(c) Off Balance Sheet Items

As at 31 December	KMP and CFMs	
	2021 LKR '000	2020 LKR '000
Undrawn facilities	769	3,453
	769	3,453

(d) Average Accommodations / Due to Depositors Balances

For the year ended 31 December	KMP and CFMs	
	2021 LKR '000	2020 LKR '000
Loans	7,830	6,186
Overdrafts	21	21
Due to customers	70,427	26,505

61.3 Transactions with Group Related Parties

The Group related parties include the Subsidiaries and Associates of the Bank.

61.3.1 Transactions with Subsidiaries and Associate Companies of the Bank

The aggregate amount of income and expenses arising from the transactions during the year and amount due to and due from the relevant related parties and total contract sum of off balance sheet transactions at the year end are summarised below.

(a) Items in Statement of Profit or Loss

For the year ended 31 December	Subsidiary Companies		Associate Companies	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Interest income	123,701	174,537	16,466	13,819
Interest expenses	90,761	133,933	19,127	15,953
Other income	455,201	471,587	56,480	1,037
Other expenses	1,121,724	1,011,942	8,665	3,200
Dividend income	334,857	434,475	55,398	-

(b) Items in Statement of Financial Position

As at 31 December	Subsidiary Companies		Associate Companies	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Assets				
Loans	632,447	1,508,874	381,573	135,039
Overdrafts	196,918	157,069	85,502	102,300
Placements	6,557,968	30,589,615	-	-
Other receivables	864,811	852,611	-	-
	8,252,144	33,108,169	467,075	237,339
Liabilities				
Due to depositors	4,439,061	4,704,848	235,436	204,827
Securities sold under repurchase agreements	574,096	83,823	311,547	21,002
Debentures	252,885	10,217	-	-
Other liabilities	41,840	155,381	-	-
	5,307,882	4,954,269	546,983	225,829

(c) Off Balance Sheet Items

As at 31 December	Subsidiary Companies		Associate Companies	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Guarantees	55,600	50,950	-	-
Undrawn facilities	168,982	209,875	26,939	2,700
	224,582	260,825	26,939	2,700

(d) Average Accommodations / Due to Depositors Balances

For the year ended 31 December	Subsidiary Companies		Associate Companies	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Loans	1,070,660	1,946,767	258,306	130,263
Overdrafts	176,993	123,601	93,901	53,129
Due to depositors	4,571,955	4,474,594	220,131	199,579

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

For the year ended 31 December	Subsidiary Companies		Associate Companies	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Interest income	144,562	175,402	16,466	13,819
Interest expense	90,761	133,933	19,127	15,953
Other income	912,538	986,665	58,427	2,103
Other expenses	1,601,287	1,528,411	9,247	3,740

(b) Items in Statement of Financial Position

As at 31 December	Subsidiary Companies		Associate Companies	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Assets				
Loans	864,850	1,810,677	381,573	145,104
Overdrafts	196,918	157,069	85,502	102,300
Investments in debts and Government securities	-	-	-	-
Placements	6,557,968	30,589,615	-	-
Other receivables	866,394	853,264	-	-
	8,486,130	33,410,625	467,075	247,404
Liabilities				
Due to depositors	4,499,386	4,775,239	235,436	204,827
Securities sold under repurchase agreements	574,096	83,823	311,547	21,002
Debentures	252,885	10,217	-	-
Other liabilities	215,347	396,991	154	520
	5,541,714	5,266,270	547,137	226,349

(c) Off Balance Sheet Items

As at 31 December	Subsidiary Companies		Associate Companies	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Guarantees	55,600	50,950	-	-
Undrawn facilities	168,982	209,875	26,939	2,700
	224,582	260,825	26,939	2,700

(d) Average Accommodations / Due to Depositors Balances

For the year ended 31 December	Subsidiary Companies		Associate Companies	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Loans	1,337,763	2,226,941	263,339	135,296
Overdrafts	176,993	123,601	93,901	53,129
Due to depositors	4,637,313	4,639,062	220,131	199,579

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

For the year ended 31 December	Significant Investor		Post Employment Benefit Plans	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Interest income	143,632,183	113,713,249	-	-
Other income	1,171,607	636,554	21,952	-
Interest expenses	22,515,304	30,760,407	5,717,234	7,872,577
Dividends paid	1,846,410	1,596,410	-	-
Contribution made	-	-	2,096,416	1,415,578

(b) Items in Statement of Financial Position

As at 31 December	Significant Investor		Post Employment Benefit Plans	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Assets				
Loans and advances	1,189,473,626	860,826,882	-	-
Investment in securities and bonds	1,084,307,997	726,180,753	-	-
Investment in equity instruments	2,332,949	1,901,993	-	-
	2,276,114,572	1,588,909,628	-	-
Liabilities				
Due to depositors	524,780,268	423,005,912	78,989,188	69,422,730
Securities sold under repurchase agreements	39,587,935	18,549,267	-	-
Debentures	36,775,218	33,384,457	20,578,236	25,148,205
	601,143,421	474,939,636	99,567,424	94,570,935

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(c) Off Balance Sheet Items

As at 31 December	Significant Investor	
	2021 LKR '000	2020 LKR '000
Letters of credit	142,817,741	65,301,616
Bills and acceptances	52,708,196	57,912,304
Guarantees	4,485,367	4,546,744
Forward exchange contracts	2,780,300	3,202,593
	202,791,604	130,963,257

(d) Other transactions

For the year ended 31 December	Significant Investor	
	2021 LKR '000	2020 LKR '000
Gross foreign exchange transactions		
- Sales	206,684,075	185,427,000
- Purchases	5,369,529	5,698,818

(e) Average Accommodations / Due to Depositors Balances

For the year ended 31 December	Significant Investor		Post Employment Benefit Plans	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Loans and advances	1,025,150,254	785,866,934	-	-
Due to depositors	473,893,090	374,273,831	68,510,629	63,727,400
Off balance sheet facilities	166,877,430	153,387,271	-	-

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 457,832 million and Comfort Letters of LKR 31,386 million as of 31.12.2021 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;

For the year ended 31 December	Significant Investor	
	2021 LKR '000	2020 LKR '000
Investment in securities and bonds	4,043,470	2,396,494
Nostro balance with Central Bank of Sri Lanka	242,821	228,191
Income from investments in securities and bonds	289,299	216,055

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 2021 on comparable terms, which are applicable to transactions between the Group and its unrelated customers.

62 Financial Reporting by Segment

Segmental information is presented in respect of Group business distinguishing the component of the Group that is engaged in different business segments or operations within a particular economic environment, which is subject to risk and returns that are different from those of other segments.

62.1 Primary Segment Information - Operating segments - Group

An operating segment is a component of the Group that engages in business activities, from which it may earn revenues and incur expenses, including revenues and expenses that relating to transactions with any of the Group's other components, whose operating results are reviewed by the management to make decision about resource allocation to each segment and assess its performance. The Group comprises the following major business segments: Retail banking, Corporate banking, International, Treasury and Investments, other non-banking and group functions.

The management monitors the operating results of its business segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance are evaluated based on their operating profits or losses. VAT and Income tax are managed on a Group basis and are not allocated to operating segments.

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	Retail Banking		Corporate Banking	
For the year ended 31 December	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Revenue from external customers:				
Net interest income	53,071,506	38,837,496	34,569,429	21,938,263
Net fee and commission income	9,204,685	9,034,700	3,359,959	1,735,384
Other income	651,105	284,537	3,318,650	1,331,677
Total operating income	62,927,296	48,156,733	41,248,038	25,005,324
Impairment (charge)/ reversal for loans and other losses	(13,240,129)	(11,860,677)	(20,640,008)	(14,987,487)
Other operating expenses	(28,311,761)	(23,052,120)	(6,687,754)	(5,114,790)
Total expenses	(41,551,890)	(34,912,797)	(27,327,762)	(20,102,277)
Operating profit before taxes on financial services	21,375,406	13,243,936	13,920,276	4,903,047
Taxes on financial services				
Operating profit after taxes on financial services				
Share of profit/ (loss) of associate companies, net of tax				
Profit/ (loss) before income tax	21,375,406	13,243,936	13,920,276	4,903,047
Income tax expense				
Profit for the year				
Total assets	995,646,746	902,023,302	1,430,320,436	1,086,867,184
Total liabilities	943,090,618	854,651,090	1,354,819,658	1,029,787,391
Cash flows from/ (used in) operating activities	25,159,143	49,720,200	16,491,497	25,817,153
Cash flows from/ (used in) investing activities	(78,189,852)	(31,354,725)	(112,325,524)	(37,779,979)
Cash flows from/ (used in) financing activities	59,284,806	8,480,585	85,167,024	10,218,438
Capital expenditure to non current assets				
Depreciation and amortisation expenses	1,085,432	1,286,526	1,559,304	1,550,163

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	
2021	2020	2021	2020	2021	2020	2021	2020
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
24,778,095	14,094,243	3,737,686	2,427,375	(1,167,089)	(94,136)	114,989,627	77,203,241
932,570	634,938	243,385	217,646	682,188	554,069	14,422,787	12,176,737
7,938,658	4,869,475	924,643	208,521	291,254	106,554	13,124,310	6,800,764
33,649,323	19,598,656	4,905,714	2,853,542	(193,647)	566,487	142,536,724	96,180,742
(9,003,987)	(3,885,611)	71,766	(799,895)	(849,607)	(498,403)	(43,661,965)	(32,032,073)
(6,092,663)	(4,457,010)	(3,351,115)	(3,437,149)	(588,411)	(460,753)	(45,031,704)	(36,521,822)
(15,096,650)	(8,342,621)	(3,279,349)	(4,237,044)	(1,438,018)	(959,156)	(88,693,669)	(68,553,895)
18,552,673	11,256,035	1,626,365	(1,383,502)	(1,631,665)	(392,669)	53,843,055	27,626,847
						(9,339,679)	(5,463,182)
						44,503,376	22,163,665
		133,677	82,488			133,677	82,488
18,552,673	11,256,035	1,760,042	(1,301,014)	(1,631,665)	(392,669)	44,637,053	22,246,153
						(5,953,659)	(5,938,747)
						38,683,394	16,307,406
1,213,737,811	861,849,707	44,665,909	41,792,680	163,578,854	132,240,902	3,847,949,756	3,024,773,775
1,149,669,545	816,587,321	30,028,966	29,495,247	154,944,191	125,295,912	3,632,552,978	2,855,816,961
13,453,432	19,914,798	(77,423)	646,628	1,002,574	5,625,368	56,029,223	101,724,147
(95,316,918)	(29,958,273)	(12,846,129)	(4,596,752)	295,092	448,722	(298,383,331)	(103,241,007)
72,270,824	8,102,883	9,740,142	1,243,294	(896,862)	(7,215,955)	225,565,934	20,829,245
						(2,371,909)	(3,461,073)
1,323,190	1,229,228	93,377	136,624	178,330	188,611	4,239,633	4,391,152

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 and Overseas Banking divisions.

As at 31 December	Bank				Group			
	2021		2020		2021		2020	
	LKR '000	%	LKR '000	%	LKR '000	%	LKR '000	%
Assets								
Domestic Banking Operation	3,509,004,415	92.3	2,705,875,291	90.7	3,540,430,477	92.0	2,711,338,107	89.6
Offshore and Overseas Banking Operation	294,279,428	7.7	277,105,804	9.3	307,519,279	8.0	313,435,668	10.4
Total Assets	3,803,283,843	100.0	2,982,981,095	100.0	3,847,949,756	100.0	3,024,773,775	100.0
Total Income								
Domestic Banking Operation	246,912,348	85.0	210,799,829	85.3	253,531,068	85.2	215,794,177	85.4
Offshore and Overseas Banking Operation	43,450,146	15.0	36,364,136	14.7	44,089,785	14.8	36,961,853	14.6
Total Income	290,362,494	100.0	247,163,965	100.0	297,620,853	100.0	252,756,030	100.0
Profit Before Tax								
Domestic Banking Operation	32,676,698	75.7	16,770,593	71.2	34,105,477	76.4	15,461,103	69.5
Offshore and Overseas Banking Operation	10,512,819	24.3	6,781,288	28.8	10,531,576	23.6	6,785,050	30.5
Total Profit Before Tax	43,189,517	100.0	23,551,881	100.0	44,637,053	100.0	22,246,153	100.0
Profit After Tax								
Domestic Banking Operation	29,546,376	78.6	13,614,714	76.6	30,620,906	79.2	12,153,227	74.5
Offshore and Overseas Banking Operation	8,043,731	21.4	4,150,418	23.4	8,062,488	20.8	4,154,179	25.5
Total Profit After Tax	37,590,107	100.0	17,765,132	100.0	38,683,394	100.0	16,307,406	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

As at 31 December 2021	Bank				Group			
	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000
Financial Assets								
Derivative financial instruments								
Forward exchange contracts	-	27,558	-	27,558	-	27,558	-	27,558
Currency SWAPs	-	-	4,314,973	4,314,973	-	-	4,314,973	4,314,973
	-	27,558	4,314,973	4,342,531	-	27,558	4,314,973	4,342,531
Financial Assets recognised through Profit or Loss measured at Fair Value								
Government Securities								
Treasury bills	2,308,810	-	-	2,308,810	2,308,810	-	-	2,308,810
Treasury bonds	27,656	-	-	27,656	131,378	-	-	131,378
Quoted equities	2,726,221	-	-	2,726,221	2,977,714	-	-	2,977,714
Units in unit trusts	-	4,167,335	-	4,167,335	-	4,222,911	-	4,222,911
	5,062,687	4,167,335	-	9,230,022	5,417,902	4,222,911	-	9,640,813
Financial Assets measured at Fair Value through OCI								
Quoted Investments								
Government Securities in Sri Lanka								
Treasury bills	-	-	-	-	2,988,742	-	-	2,988,742
Treasury bonds	11,540,898	-	-	11,540,898	11,911,292	-	-	11,911,292
Government securities in India	1,780,868	-	-	1,780,868	1,780,868	-	-	1,780,868
Equities	2,749,598	-	-	2,749,598	3,940,622	-	-	3,940,622
Unquoted investments								
Equities	-	1,996,179	235,013	2,231,192	-	1,996,179	262,107	2,258,286
	16,071,364	1,996,179	235,013	18,302,556	20,621,524	1,996,179	262,107	22,879,810
Total Financial Assets	21,134,051	6,191,072	4,549,986	31,875,109	26,039,426	6,246,648	4,577,080	36,863,154
Non Financial Assets								
Property, Plant and Equipment	-	-	26,881,778	26,881,778	-	-	40,631,672	40,631,672
Total Non Financial Assets	-	-	26,881,778	26,881,778	-	-	40,631,672	40,631,672
Total	21,134,051	6,191,072	31,431,764	58,756,887	26,039,426	6,246,648	45,208,752	77,494,826
Financial Liabilities								
Derivative financial instruments								
Forward exchange contracts	-	17,297	-	17,297	-	17,297	-	17,297
Currency SWAPs	-	-	363,031	363,031	-	-	363,031	363,031
	-	17,297	363,031	380,328	-	17,297	363,031	380,328

63.1.1 Assets Measured at Fair Value - Fair Value Hierarchy

As at 31 December 2020	Bank				Group			
	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	-	38,532	-	38,532	-	38,532	-	38,532
Currency SWAPs	-	-	510,394	510,394	-	-	510,394	510,394
	-	38,532	510,394	548,926	-	38,532	510,394	548,926
Financial Assets recognised through Profit or Loss measured at Fair Value								
Government Securities								
Treasury bills	3,622,937	-	-	3,622,937	3,623,301	-	-	3,623,301
Treasury bonds	29,553	-	-	29,553	775,231	-	-	775,231
Quoted equities	3,091,853	-	-	3,091,853	3,304,477	-	-	3,304,477
Units in unit trusts	-	3,111,877	-	3,111,877	-	3,164,712	-	3,164,712
Quoted debt securities	-	-	-	-	1,750	-	-	1,750
	6,744,343	3,111,877	-	9,856,220	7,704,759	3,164,712	-	10,869,471
Financial Assets measured at Fair Value through OCI								
Quoted Investments								
Government Securities in Sri Lanka								
Treasury bills	38,421	-	-	38,421	1,282,857	-	-	1,282,857
Treasury bonds	9,311,619	-	-	9,311,619	9,431,278	-	-	9,431,278
Government securities in India	1,594,471	-	-	1,594,471	1,594,471	-	-	1,594,471
Equities	2,329,969	-	-	2,329,969	3,494,494	-	-	3,494,494
Unquoted investments								
Equities	-	1,855,430	232,570	2,088,000	-	1,855,430	255,248	2,110,678
	13,274,480	1,855,430	232,570	15,362,480	15,803,100	1,855,430	255,248	17,913,778
Total Financial Assets	20,018,823	5,005,839	742,964	25,767,626	23,507,859	5,058,674	765,642	29,332,175
Non Financial Assets								
Property, Plant and Equipment	-	-	26,441,721	26,441,721	-	-	39,929,121	39,929,121
Total Non Financial Assets	-	-	26,441,721	26,441,721	-	-	39,929,121	39,929,121
Total	20,018,823	5,005,839	27,184,685	52,209,347	23,507,859	5,058,674	40,694,763	69,261,296
Financial Liabilities								
Derivative financial instruments								
Forward exchange contracts	-	16,192	-	16,192	-	16,192	-	16,192
Currency SWAPs	-	-	85,990	85,990	-	-	85,990	85,990
Total Financial Liabilities	-	16,192	85,990	102,182	-	16,192	85,990	102,182

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 2021 LKR '000	Total Gains/ (Losses) Recorded in Profit or Loss LKR '000	Total Gains/ (Losses) Recorded in OCI LKR '000	Purchases/ (Sales) and Other Adjustments LKR '000	As at 31 December 2021 LKR '000	As at 1 January 2021 LKR '000	Total Gains/ (Losses) Recorded in Profit or Loss LKR '000	Total Gains/ (Losses) Recorded in OCI LKR '000	Purchases/ (Sales) and Other Adjustments LKR '000	As at 31 December 2021 LKR '000
Financial Assets										
Derivative financial instruments										
Currency SWAPs	510,394	-	-	3,804,579	4,314,973	510,394	-	-	3,804,579	4,314,973
Financial assets measured at Fair Value through OCI										
Unquoted Investments										
Equities	232,570	-	-	2,443	235,013	255,248	-	-	6,859	262,107
Total Level 3 Financial Assets	742,964	-	-	3,807,022	4,549,986	765,642	-	-	3,811,438	4,577,080
Non Financial Assets										
Property, Plant and Equipment	26,441,721	(228,998)	(284,831)	953,886	26,881,778	39,929,121	(924,091)	345,441	1,281,201	40,631,672
Total Level 3 Assets	27,184,685	(228,998)	(284,831)	4,760,908	31,431,764	40,694,763	(924,091)	345,441	5,092,639	45,208,752
Financial Liabilities										
Currency SWAPs	85,990	-	-	277,041	363,031	85,990	-	-	277,041	363,031
Total Level 3 Financial Liabilities	85,990	-	-	277,041	363,031	85,990	-	-	277,041	363,031
Net Level 3 Financial Assets	656,974	-	-	3,529,981	4,186,955	679,652	-	-	3,534,397	4,214,049

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 2020 LKR '000	Total Gains/ (Losses) Recorded in Profit or Loss LKR '000	Total Gains/ (Losses) Recorded in OCI LKR '000	Purchases/ (Sales) and Other Adjustments LKR '000	As at 31 December 2020 LKR '000	As at 1 January 2020 LKR '000	Total Gains/ (Losses) Recorded in Profit or Loss LKR '000	Total Gains/ (Losses) Recorded in OCI LKR '000	Purchases/ (Sales) and Other Adjustments LKR '000	As at 31 December 2020 LKR '000
Financial Assets										
Derivative financial instruments										
Currency SWAPs	124,113	-	-	386,281	510,394	124,113	-	-	386,281	510,394
Financial assets measured at Fair Value through OCI										
Unquoted Investments										
Equities	229,307	-	-	3,263	232,570	251,983	-	-	3,265	255,248
Total Level 3 Financial Assets	353,420	-	-	389,544	742,964	376,096	-	-	389,546	765,642
Non Financial Assets										
Property, Plant and Equipment	19,261,983	(271,385)	6,932,984	518,139	26,441,721	32,429,288	(864,207)	7,774,192	589,848	39,929,121
Total Level 3 Assets	19,615,403	(271,385)	6,932,984	907,683	27,184,685	32,805,384	(864,207)	7,774,192	979,394	40,694,763
Financial Liabilities										
Currency SWAPs	105,607	-	-	(19,617)	85,990	105,607	-	-	(19,617)	85,990
Total Level 3 Financial Liabilities	105,607	-	-	(19,617)	85,990	105,607	-	-	(19,617)	85,990
Net Level 3 Financial Assets	247,813	-	-	409,161	656,974	270,489	-	-	409,163	679,652

NOTES TO THE FINANCIAL STATEMENTS

63.1.3 Unobservable Inputs Used in Measuring Fair Value of Level 3

The table below sets out information about significant unobservable inputs used as at 31 December 2021 in measuring financial instruments categorised as level 3 in the fair value hierarchy.

Type of Financial Instrument	Fair value As at 31 December 2021 LKR'000	Valuation Technique	Significant Unobservable Inputs	Range of Estimates (Weighted average) for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Derivative Financial Instruments					
Currency SWAPs	4,314,973	Forward pricing model	Foreign exchange forward rate.	Negative 100 to positive 100 basis point.	Unfavourable or favourable impact on derivative assets value of LKR 5.0 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 2021	Bank					Group				
	Fair value					Fair value				
	Level 1	Level 2	Level 3	Total	Carrying value	Level 1	Level 2	Level 3	Total	Carrying value
	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										
- Debt and other instruments	860,771,339	4,141,518	184,642,014	1,049,554,871	1,082,179,876	861,042,486	4,141,518	184,642,014	1,049,826,018	1,082,837,662
Investment properties	-	-	3,003,007	3,003,007	2,414,640	-	-	653,000	653,000	107,704
Total	860,771,339	4,141,518	187,645,021	1,052,557,878	1,084,594,516	861,042,486	4,141,518	185,295,014	1,050,479,018	1,082,945,366
Liabilities										
Other borrowings	-	-	444,107,977	444,107,977	444,107,977	-	-	447,875,002	447,875,002	447,875,002
Debt securities issued	-	-	-	-	-	-	-	2,107,182	2,107,182	2,107,182
Subordinate liabilities	-	17,690,269	46,337,407	64,027,676	64,358,855	-	17,690,269	46,084,522	63,774,791	64,105,970
Total	-	17,690,269	490,445,384	508,135,653	508,466,832	-	17,690,269	496,066,706	513,756,975	514,088,154

As at 31 December 2020	Bank					Group				
	Fair value					Fair value				
	Level 1	Level 2	Level 3	Total	Carrying value	Level 1	Level 2	Level 3	Total	Carrying value
	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										
- Debt and other instruments	588,945,728	4,428,239	177,716,688	771,090,655	724,390,172	589,216,875	4,428,239	177,716,688	771,361,802	725,579,585
Investment properties	-	-	3,003,007	3,003,007	2,534,118	-	-	653,000	653,000	114,370
Total	588,945,728	4,428,239	180,719,695	774,093,662	726,924,290	589,216,875	4,428,239	178,369,688	772,014,802	725,693,955
Liabilities										
Other borrowings	-	-	180,884,127	180,884,127	180,884,127	-	-	185,102,055	185,102,055	185,102,055
Debt securities issued	-	-	-	-	-	-	-	2,107,493	2,107,493	2,107,493
Subordinate liabilities	-	17,258,196	54,248,009	71,506,205	64,637,407	-	17,258,196	54,248,009	71,506,205	64,627,397
Total	-	17,258,196	235,132,136	252,390,332	245,521,534	-	17,258,196	241,457,557	258,715,753	251,836,945

NOTES TO THE FINANCIAL STATEMENTS

The following describes the methodologies and assumptions used to determine fair values for those assets and liabilities which are not already recorded at fair value in the Financial Statements.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost comprise Sri Lanka Development Bonds, Government and Corporate debt securities.

Variable rate Sri Lanka Development Bonds are re-pricing semi-annually. Hence, it is assumed that the carrying amounts approximate their fair value. Listed corporate debt securities are valued using quoted market price as of the Reporting date, quoted government debt securities are valued using yield curve published by the Central Bank of Sri Lanka and fair value of unquoted corporate debt securities and Government securities including fixed rate Sri Lanka Development Bonds are estimated as the present value of future cash flows expected to be received from such investments calculated based on interest rates at the Reporting date for similar instruments.

Investment Properties

Investment properties are valued by the independent professional valuers and more details are given in Note 33.

Financial Liabilities at Amortised Cost - Other Borrowings

Financial liabilities at amortised cost - other borrowings represent Term borrowings from banks and other financial institutions in Sri Lanka and abroad and Refinance borrowings.

Fair value of term borrowings and refinance borrowings are estimated by the discounting the future cash flows using effective interest rates of similar instruments.

Debt Securities Issued

Fair value of debt securities issued are estimated as the present value of future cash flows expected to be paid from such investments calculated based on interest rates at the Reporting date for similar instruments.

Subordinated Liabilities

Subordinated liabilities that are listed in the Colombo Stock Exchange valued using quoted market price as of the Reporting date. Fair values of unlisted subordinated liabilities are estimated as the present value of future cash out flow expected to be paid to the instruments calculated based on the interest rates at the Reporting date for similar 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 value of such financial instruments.

• Financial Assets at Amortised Cost - Loans and Advances

Approximately 38% of the total portfolio of loans and advances to customers have a remaining contractual maturity of less than one year and majority of balance loans are granted at floating rate. Therefore, fair value of loans and advances to customers approximates to their carrying value as at the reporting date.

• Financial Liabilities at Amortised Cost - Due to Depositors

Approximately 98% of the customer deposits are either repayable on demand or have a remaining contractual maturity of less than one year. Customer deposits with a contractual maturity of more than one year are subject to pre mature upliftment. Amounts paid to customers in the event of pre mature upliftment would not be materially different to its carrying value as at date. Therefore, fair value of customer deposits approximates to their carrying value as at the reporting date.

As at 31 December	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	LKR '000	LKR '000	LKR '000	LKR '000
Bank				
Financial assets				
Cash and cash equivalents	82,647,406	82,647,406	84,416,624	84,416,624
Balances with Central Banks	74,121,781	74,121,781	33,351,852	33,351,852
Placements with banks	4,957,417	4,957,417	27,615,851	27,615,851
Securities purchased under resale agreements	2,074,474	2,074,474	2,001,047	2,001,047
Financial assets at amortised cost loans and advances	2,413,762,291	2,413,762,291	1,988,409,007	1,988,409,007
Total financial assets	2,577,563,369	2,577,563,369	2,135,794,381	2,135,794,381
Financial liabilities				
Due to banks	17,936,070	17,936,070	2,402,043	2,402,043
Securities sold under repurchase agreements	162,156,413	162,156,413	57,106,652	57,106,652
Due to depositors	2,866,894,010	2,866,894,010	2,474,775,488	2,474,775,488
Total financial liabilities	3,046,986,493	3,046,986,493	2,534,284,183	2,534,284,183
Group				
Financial assets				
Cash and cash equivalents	82,313,908	82,313,908	83,198,445	83,198,445
Balances with Central Banks	74,121,781	74,121,781	33,351,852	33,351,852
Placements with banks	5,342,369	5,342,369	27,913,969	27,913,969
Securities purchased under resale agreements	2,976,664	2,976,664	3,822,312	3,822,312
Financial assets at amortised cost loans and advances	2,446,330,329	2,446,330,329	2,018,393,730	2,018,393,730
Total financial assets	2,611,085,051	2,611,085,051	2,166,680,308	2,166,680,308
Financial liabilities				
Due to banks	18,646,339	18,646,339	2,628,434	2,628,434
Securities sold under repurchase agreements	161,668,335	161,668,335	57,697,780	57,697,780
Due to depositors	2,886,237,094	2,886,237,094	2,493,110,291	2,493,110,291
Total financial liabilities	3,066,551,768	3,066,551,768	2,553,436,505	2,553,436,505

63.4 Reclassifications of Financial Assets and Financial Liabilities

There have been no reclassifications during 2021.

NOTES TO THE FINANCIAL STATEMENTS

64 Financial Risk Management

64.1 Introduction

64.1.1 Overview

Risk is an inherent component in the business of banking and the Bank is mainly exposed to Credit risk, Market risk, Operational risk and Liquidity risk as a financial intermediary. Management of these risks is vital for the continuity and the sustainability of the Bank.

The comprehensive Risk Management Framework (RMF) of the Bank provides the necessary guidance for identifying, assessing, measuring, monitoring and reporting risk to be managed efficiently and effectively 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.

Credit Risk

64.2.2	Maximum exposure to credit risk
64.2.3	Credit quality by class of financial assets
64.2.4	Provision for impairment (ECL) movement
64.2.6	Country wise exposure
64.2.7	Sectorwise exposure
64.2.8	Commitments and guarantees
64.2.9	Management overlays over expected credit risk

Liquidity Risk

64.3.1	Liquidity risk exposure
64.3.2	Maturity analysis of financial asset 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 9 financial and non financial subsidiaries, directly and indirectly owned by the Bank and 4 associate companies. The principal activities of the group is spread over diverse range. Koladeniya Hydro power Ltd. has been disposed during the year. Due to size of the balance sheet, the affairs of subsidiaries and associates do not have significant impact to the Bank's risk management except for reputation damage that could arise.

The Bank is managing the strategic risk through comprehensive review of group activities on a quarterly basis mainly in the perspective of Credit, Market, Liquidity and Operational risks which are overseen by the IRMC. Bank closely involves in risk, compliance and audit affairs of subsidiaries by appointing members of Senior Management of the Bank as members of the Boards of such companies. On special circumstances Internal Auditor of the Bank carries out audits in subsidiaries.

64.1.3 Risk Management Framework (RMF)

Risk Management Framework of the Bank begins with oversight by the Board of Directors through IRMC, which assures the performance of overall Risk Management. RMF therefore, 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. These policies and frameworks are reviewed regularly to incorporate changes in the regulatory and market environment.

The Bank's Independent Integrated Risk Management Division (IIRMD) is headed by the Chief Risk Officer (CRO), who directly reports to the Integrated Risk Management Committee (IRMC), which is a sub-committee of the Board. The IIRMD acts as the second line of defence in risk management. CRO is also a member of management level committees such as Credit Committee, Asset and Liability Management Committee (ALCO), Operational Risk Management Executive Committee (ORMEC), IT Steering Committee, Fraud Risk Management Committee and Non Performing Advances Monitoring Committee, 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 while business lines evaluates and manages associated risks as first line of defence.

64.1.4 Risk measurement, reporting and mitigation

Risks are measured using various rigorous methods and tools inline with the industry best practices with respect to Credit, Market, Operational, Liquidity and other risks. Owing to the prevailing unprecedented economic scenario, the bank carried out various adhoc analysis to assess the future risks and escalate to the top management for mitigation actions. The Bank has also carried out several single factor, non conventional scenario stress testing based on three risk levels: Mild, Moderate and Severe which are plausible in a stressed economic situation and are supported by the multiple scenario stress testing.

In addition, the Internal Capital Adequacy Assessment Process (ICAAP) sets out the framework for the Bank's internal capital planning and the process provides an assurance that the Bank has adequate capital to support all risks as per the business profile. Different assessment methodologies which are internationally accepted are used to measure the Pillar II risks in addition to Pillar I risks. The result of the risk measurements and analysis are reported to the IRMC periodically for better risk management in addition to the regulatory requirements.

As a part of its overall risk management, the Bank uses several mitigation techniques and strategies to reduce the risk. In managing credit risk bank uses comprehensive pre sanctioning and post sanctioning techniques to reduce its credit risks. Collaterals are used to further mitigate losses. Market risk is mitigated using derivative instruments in limited context. Strong internal control mechanism is in place to manage operational risks and insurance is used as an operational risk transfer strategy where necessary. The most vulnerable risk in the present business environment, the IT risk is managed through the comprehensive policies and standards.

NOTES TO THE FINANCIAL STATEMENTS

64.2 Credit Risk

Credit Risk is defined as potential losses arising due to a counterparty to a credit transaction failing to meet obligations in accordance with agreed terms. Credit Risk can take the form of default and concentration.

64.2.1 Management of Credit Risk

Credit risk management policy lays down the conditions and guidelines for granting, maintenance, monitoring and management of credit at both the transaction and portfolio levels. Credit risk management function is independent from business divisions and credit decision standards, processes and principles are consistently applied in corporate segment and retail segment. In order to get rid of concentration risk a diversified credit portfolio is maintained by assessing and managing borrower and industry specific concentration against risk appetite. The Bank has a range of strategies and processes to actively mitigate credit risks.

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.

Procedures are also in place to identify the credit exposures for which there may be an 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 large credit exposures is carried out periodically to ensure proper documentation, adherence to the covenants imposed and quality of the loan book.

Collateral is used for credit risk mitigation purposes and minimizes 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.

According to the SLFRS 9, the incurred losses, as well as the expected credit losses need to be taken into consideration when providing for credit risk.

64.2.1.1 Calculation of expected credit losses (ECL)

Expected credit loss represents the default events over an expected life time of the financial assets. Expected credit losses are calculated using four main components, i.e. Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and Economic Factor Adjustment (EFA). These parameters are generally derived from internally developed statistical models combined with historical, current and forward-looking customer and macro-economic data.

SLFRS 9 introduces a three stage model for impairment of financial assets that are performing at the stage of origination or purchase. Three stage model for impairment is based on the changes in the credit quality since initial recognition. At initial recognition, financial assets which are not credit impaired are reflected in stage 1. If there is a significant increase in the credit risk, such financial assets are transferred to stage 2. Significant increase in the credit risk is defined using pre-determined credit risk indicators which are stated in the bank's impairment policy. In case of a default, financial assets are classified as stage 3.

64.2.1.2 Incorporation of forward-looking information

The Bank has established an expert panel who considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments, that support the calculation of ECLs.

64.2.2 Maximum exposure to credit risk

64.2.2.1 Collateral and other credit enhancements

The Bank obtains different types of collaterals from the counterparties as a credit risk mitigant. The amount and the types of the collateral required depend on credit risk assessment of the counterparty. The acceptability of the collateral and valuation is determined based on the guidelines issued by the regulator and the bank's policy. The main types of collateral obtained are

- For commercial lending-charges over movable and immovable properties
- For personal lending- mortgages over movable and immovable properties, cash & cash equivalents and gold articles
- For Government & State Owned Enterprises - Government Treasury 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.

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

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64.2.2.2 Type of collateral or credit enhancements

Quantitative information about the collateral held as security and other enhancements, risk concentration within the collateral and other credit enhancements are detailed below.

As at 31 December 2021	Maximum exposure to credit risk LKR '000	Fair value of collateral and credit enhancements held							Net Collateral LKR '000	Net exposure LKR '000
		Cash	Gold	GoSL Securities/ Guarantees	Movables	Immovables	Others	Surplus Collateral		
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000		
Cash and cash equivalents	82,659,609	47,819,722	-	-	-	-	-	-	47,819,722	34,839,887
Less : Impairment	(12,203)	-	-	-	-	-	-	-	-	(12,203)
Balances with Central Banks	74,121,781	74,121,781	-	-	-	-	-	-	74,121,781	-
Placements with banks	4,957,950	-	-	-	-	-	-	-	-	4,957,950
Less : Impairment	(533)	-	-	-	-	-	-	-	-	(533)
Securities purchased under resale agreements	2,074,474	-	-	2,115,904	-	-	-	(41,430)	2,074,474	-
Derivative financial instruments	4,342,531	-	-	-	-	-	-	-	-	4,342,531
Financial assets recognised through profit or loss measured at fair value	9,230,022	-	-	2,336,466	-	-	-	-	2,336,466	6,893,556
Financial assets at amortised cost ¹ - loans and advances	2,576,668,173	71,080,674	111,427,897	1,056,518,691	89,099,254	562,222,714	100,546,487	(92,863,124)	1,898,032,593	678,635,580
Less : Impairment	(162,905,882)	-	-	-	-	-	-	-	-	(162,905,882)
Financial assets at amortised cost ¹ - debt and other instruments	1,095,978,957	-	-	1,082,878,039	-	-	-	-	1,082,878,039	13,100,918
Less : Impairment	(13,799,081)	-	-	-	-	-	-	-	-	(13,799,081)
Financial assets measured at fair value through OCI	18,302,556	-	-	13,321,766	-	-	-	-	13,321,766	4,980,790
Total financial assets	3,691,618,354	193,022,177	111,427,897	2,157,170,866	89,099,254	562,222,714	100,546,487	(92,904,554)	3,120,584,841	571,033,513

As at 31 December 2020	Maximum exposure to credit risk LKR '000	Fair value of collateral and credit enhancements held							Net Collateral LKR '000	Net exposure LKR '000
		Cash	Gold	GoSL Securities/ Guarantees	Movables	Immovables	Others	Surplus Collateral		
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000		
Cash and cash equivalents	84,427,892	42,993,813	-	-	-	-	-	-	42,993,813	41,434,079
Less : Impairment	(11,268)	-	-	-	-	-	-	-	-	(11,268)
Balances with Central Banks	33,351,852	33,351,852	-	-	-	-	-	-	33,351,852	-
Placements with banks	27,616,245	-	-	-	-	-	-	-	-	27,616,245
Less : Impairment	(394)	-	-	-	-	-	-	-	-	(394)
Securities purchased under resale agreements	2,001,047	-	-	2,002,756	-	-	-	(1,709)	2,001,047	-
Derivative financial instruments	548,926	-	-	-	-	-	-	-	-	548,926
Financial assets recognised through profit or loss measured at fair value	9,856,220	-	-	3,652,488	-	-	-	-	3,652,488	6,203,732
Financial assets at amortised cost' - loans and advances	2,115,204,744	76,796,221	74,899,955	805,519,532	135,237,450	397,650,677	96,197,997	(57,247,702)	1,529,054,130	586,150,614
Less : Impairment	(126,795,737)	-	-	-	-	-	-	-	-	(126,795,737)
Financial assets at amortised cost' - debt and other instruments	729,884,009	-	-	725,609,104	-	-	-	-	725,609,104	4,274,905
Less : Impairment	(5,493,837)	-	-	-	-	-	-	-	-	(5,493,837)
Financial assets measured at fair value through OCI	15,362,480	-	-	10,944,511	-	-	-	-	10,944,511	4,417,969
Total financial assets	2,885,952,179	153,141,886	74,899,955	1,547,728,391	135,237,450	397,650,677	96,197,997	(57,249,411)	2,347,606,945	538,345,234

64.2.3 Credit quality by class of financial assets

Based on the credit quality, the financial assets can be classified mainly into three categories i.e. neither past due nor impaired, past due but not individually impaired and individually impaired. The Bank has established appropriate limits to maintain concentration risk at an acceptable level.

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk. High grade consist of Assets and advances granted to GOSL and loans and advances granted to corporate borrowers whose internal credit ratings are AAA, AA or A. Standard grade consists of Loans and advances to corporate borrowers whose internal credit ratings are BBB, BB or B. Substandard grade includes corporate borrowers whose credit rating are C or D.

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Credit quality by class of financial assets	Neither past due/Nor impaired								
	High grade (LKR ' 000)			Standard grade (LKR ' 000)			Sub-standard grade (LKR ' 000)		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	
Cash and cash equivalents	80,900,730	-	-	-	-	-	-	-	
Less : Impairment	-	-	-	-	-	-	-	-	
Balances with Central Banks	68,797,576	-	-	-	-	-	-	-	
Placements with banks	-	-	-	-	-	-	-	-	
Less : Impairment	-	-	-	-	-	-	-	-	
Securities purchased under resale agreements (with banks)	2,074,474	-	-	-	-	-	-	-	
Derivative financial instruments	4,314,973	-	-	-	-	-	-	-	
Financial assets recognised through profit or loss measured at fair value	2,336,466	-	-	-	-	-	-	-	
Financial assets at amortised cost' - loans and advances	1,089,701,026	-	- 107,607,944	-	-	- 72,879,644	-	-	
Less : Impairment	-	-	-	-	-	-	-	-	
Financial assets at amortised cost' - debt and other instruments	1,091,846,513	-	-	-	-	-	-	-	
Less : Impairment	-	-	-	-	-	-	-	-	
Financial assets measured at fair value through OCI	13,321,766	-	-	-	-	-	-	-	
Total financial assets	2,353,293,524	-	- 107,607,944	-	-	- 72,879,644	-	-	

Representation of stage one assets amount to 91% of Bank's total assets and high grade assets to 62% of total assets.

Age analysis of past due (i.e. facilities in arrears of 1 day and above) but not individually impaired loans by class of Financial Assets

Age analysis of past due but not individually impaired loans	Less than 30 days (LKR ' 000)	31 to 60 days (LKR ' 000)	61 to 90 days (LKR ' 000)	91 to 180 days (LKR ' 000)	181 days and over (LKR ' 000)	Total (LKR ' 000)
Loans and advances to customers	491,628,341	110,968,499	44,045,418	44,322,390	41,793,460	732,758,108

As At 31 December 2021

	Grades not allocated / Un rated (LKR ' 000)				Past due but not individually impaired (LKR ' 000)			Individually impaired (LKR ' 000)	Total (LKR ' 000)
	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 3	
	-	1,758,879	-	-	-	-	-	-	82,659,609
	-	-	-	-	-	-	-	-	(12,203)
	-	5,324,205	-	-	-	-	-	-	74,121,781
	-	4,957,950	-	-	-	-	-	-	4,957,950
	-	-	-	-	-	-	-	-	(533)
	-	-	-	-	-	-	-	-	2,074,474
	-	27,558	-	-	-	-	-	-	4,342,531
	-	6,893,556	-	-	-	-	-	-	9,230,022
	-	408,679,574	-	-	491,628,341	155,013,917	86,115,850	165,041,877	2,576,668,173
	-	-	-	-	-	-	-	-	(162,905,882)
	-	4,132,444	-	-	-	-	-	-	1,095,978,957
	-	-	-	-	-	-	-	-	(13,799,081)
	-	4,980,790	-	-	-	-	-	-	18,302,556
	-	436,754,956	-	-	491,628,341	155,013,917	86,115,850	165,041,877	3,691,618,354

NOTES TO THE FINANCIAL STATEMENTS

Credit quality by class of financial assets	Neither past due/Nor impaired								
	High grade (LKR ' 000)			Standard grade (LKR ' 000)			Sub-standard grade (LKR ' 000)		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	
Cash and cash equivalents	81,121,281	-	-	-	-	-	-	-	
Less : Impairment	-	-	-	-	-	-	-	-	
Balances with Central Banks	27,264,328	-	-	-	-	-	-	-	
Placements with banks	186,246	-	-	-	-	-	-	-	
Less : Impairment	-	-	-	-	-	-	-	-	
Securities purchased under resale agreements (with customers)	-	-	-	-	-	-	-	-	
Derivative financial instruments	548,926	-	-	-	-	-	-	-	
Financial assets recognised through profit or loss -measured at fair value	3,652,488	-	-	-	-	-	-	-	
Financial assets at amortised cost' - loans and advances	474,801,647	-	- 138,793,465	-	-	- 80,649,732	-	-	
Less : Impairment	-	-	-	-	-	-	-	-	
Financial assets at amortised cost' - debt and other instruments	725,609,104	-	-	-	-	-	-	-	
Less : Impairment	-	-	-	-	-	-	-	-	
Financial assets measured at fair value through OCI	10,944,511	-	-	-	-	-	-	-	
Total financial assets	1,324,128,531	-	- 138,793,465	-	-	- 80,649,732	-	-	

Representation of stage one assets amount to 90% of Bank's total assets and high grade assets to 44% of total assets.

Age analysis of past due (i.e. facilities in arrears of 1 day and above) but not individually impaired loans by class of Financial Assets

Age analysis of past due but not individually impaired loans	Less than 30 days (LKR ' 000)	31 to 60 days (LKR ' 000)	61 to 90 days (LKR ' 000)	91 to 180 days (LKR ' 000)	181 days and over (LKR ' 000)	Total (LKR ' 000)
Loans and advances to customers	438,970,648	88,879,619	32,589,477	40,844,784	34,589,680	635,874,208

As At 31 December 2020

Grades not allocated / Un rated (LKR ' 000)				Past due but not individually impaired (LKR ' 000)			Individually impaired (LKR ' 000)	Total (LKR ' 000)
Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 3	
-	3,306,611	-	-	-	-	-	-	84,427,892
-	-	-	-	-	-	-	-	(11,268)
-	6,087,524	-	-	-	-	-	-	33,351,852
-	27,429,999	-	-	-	-	-	-	27,616,245
-	-	-	-	-	-	-	-	(394)
-	2,001,047	-	-	-	-	-	-	2,001,047
-	-	-	-	-	-	-	-	548,926
-	6,203,732	-	-	-	-	-	-	9,856,220
-	652,996,214	-	-	438,970,648	121,469,096	75,434,464	132,089,478	2,115,204,744
-	-	-	-	-	-	-	-	(126,795,737)
-	4,274,905	-	-	-	-	-	-	729,884,009
-	-	-	-	-	-	-	-	(5,493,837)
-	4,417,969	-	-	-	-	-	-	15,362,480
-	706,718,001	-	-	438,970,648	121,469,096	75,434,464	132,089,478	2,885,952,179

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64.2.4 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 2021	Note	12-month ECL (Stage 1) LKR '000	Lifetime ECL - not credit impaired (Stage 2) LKR '000	Lifetime ECL - credit impaired (Stage 3) LKR '000	Total LKR '000
Cash and cash equivalents					
Provision for impairment (ECL) as at 1 January 2021	22	11,268	-	-	11,268
Transfer to Stage 1		-	-	-	-
Transfer to Stage 2		-	-	-	-
Transfer to Stage 3		-	-	-	-
Net remeasurement of impairment		-	-	-	-
New assets originated or purchased		12,203	-	-	12,203
Financial assets derecognised or repaid (excluding write-offs)		(11,268)	-	-	(11,268)
Foreign exchange adjustments		-	-	-	-
As at 31 December 2021		12,203	-	-	12,203
Placements with Central Banks and Other Banks					
Provision for impairment (ECL) as at 1 January 2021	24	394	-	-	394
Transfer to Stage 1		-	-	-	-
Transfer to Stage 2		-	-	-	-
Transfer to Stage 3		-	-	-	-
Net remeasurement of impairment		202	-	-	202
New assets originated or purchased		269	-	-	269
Financial assets derecognised or repaid (excluding write-offs)		(332)	-	-	(332)
Foreign exchange adjustments		-	-	-	-
As at 31 December 2021		533	-	-	533
Financial assets at amortised cost - Loans and advances to other customers					
Provision for impairment (ECL) as at 1 January 2021	27	11,640,862	11,447,964	103,706,911	126,795,737
Transfer to Stage 1		4,412,909	(818,558)	(3,594,351)	-
Transfer to Stage 2		(1,288,821)	3,063,708	(1,774,887)	-
Transfer to Stage 3		(970,227)	(4,419,058)	5,389,285	-
Net remeasurement of impairment		6,333,767	1,285,122	11,032,283	18,651,172
New assets originated or purchased		4,187,515	4,410,643	17,280,078	25,878,236
Write-offs and recoveries		-	-	(76,971)	(76,971)
Foreign exchange adjustments		101,931	152,344	428,458	682,733
Interest accrued on impaired loans and advances		-	-	(9,101,995)	(9,101,995)
Other movements		-	-	76,970	76,970
As at 31 December 2021		24,417,936	15,122,165	123,365,781	162,905,882

As at 31 December 2021	Note	12-month ECL (Stage 1) LKR '000	Lifetime ECL - not credit impaired (Stage 2) LKR '000	Lifetime ECL - credit impaired (Stage 3) LKR '000	Total LKR '000
Financial assets at amortised cost - Debt and other financial instruments	29				
Provision for impairment (ECL) as at 1 January 2021		5,465,523	-	28,314	5,493,837
Transfer to Stage 1		-	-	-	-
Transfer to Stage 2		-	-	-	-
Transfer to Stage 3		-	-	-	-
Net remeasurement of impairment		2,981,381	-	-	2,981,381
New assets originated or purchased		9,054,609			9,054,609
Financial assets derecognised or repaid (excluding write-offs)		(3,730,746)			(3,730,746)
Reclassification adjustment					-
As at 31 December 2021		13,770,767	-	28,314	13,799,081
As at 31 December 2020					
	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 2020		13,536	-	-	13,536
Transfer to Stage 1		-	-	-	-
Transfer to Stage 2		-	-	-	-
Transfer to Stage 3		-	-	-	-
Net remeasurement of impairment		-	-	-	-
New assets originated or purchased		11,268			11,268
Financial assets derecognised or repaid (excluding write-offs)		(13,536)			(13,536)
Foreign exchange adjustments		-	-	-	-
As at 31 December 2020		11,268	-	-	11,268
Placements with Central Bank and Other Banks	24				
Provision for impairment (ECL) as at 1 January 2020		40,856	-	-	40,856
Transfer to Stage 1		-	-	-	-
Transfer to Stage 2		-	-	-	-
Transfer to Stage 3		-	-	-	-
New remeasurement of impairment		61	-	-	61
New assets originated or purchased		377	-	-	377
Financial assets derecognised or repaid (excluding write-offs)		(40,900)	-	-	(40,900)
Foreign exchange adjustments		-	-	-	-
As at 31 December 2020		394	-	-	394

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As at 31 December 2020	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
Financial assets at amortised cost - Loans and advances to other customers					
	28				
Provision for impairment (ECL) as at 1 January 2020		6,954,029	9,530,117	82,471,572	98,955,718
Transfer to Stage 1		3,353,436	(1,104,763)	(2,248,673)	-
Transfer to Stage 2		(2,867,927)	4,156,930	(1,289,003)	-
Transfer to Stage 3		(1,980,115)	(3,903,516)	5,883,631	-
Net remeasurement of impairment		3,624,293	1,091,946	13,679,088	18,395,327
New assets originated or purchased		2,494,306	1,757,387	5,307,982	9,559,675
Write-offs and recoveries		-	-	(1,001)	(1,001)
Foreign exchange adjustments		62,840	(80,137)	(97,686)	(114,983)
Interest accrued on impaired loans and advances		-	-	-	-
Other movements		-	-	1,001	1,001
As at 31 December 2020		11,640,862	11,447,964	103,706,911	126,795,737
Financial assets at amortised cost - Debt and other financial instruments					
Provision for impairment (ECL) as at 1 January 2020		2,147,719	-	26,212	2,173,931
Transfer to Stage 1		-	-	-	-
Transfer to Stage 2		-	-	-	-
Transfer to Stage 3		-	-	-	-
Net remeasurement of impairment		3,459,028	-	2,102	3,461,130
New assets originated or purchased		179,922	-	-	179,922
Financial assets derecognised or repaid (excluding write-offs)		(321,146)	-	-	(321,146)
As at 31 December 2020		5,465,523	-	28,314	5,493,837

64.2.5 Analysis of risk concentration

Concentration risk in credit portfolios arises due to an uneven distribution of bank loans to individual borrowers, industry, sector or geographical regions. In managing the concentration risk the bank uses the Herfindahl-Hirschman Index (HHI) as a measurement tool. The Bank has established appropriate limits to maintain concentration risk at an acceptable level.

64.2.6 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.

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Country wise exposure

31 December 2021	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	56,897,136	1,444,631	1,087,346	47,816	18,467,946	21,304	4,681,227	82,647,406
Balances with Central Banks	68,489,630	-	4,175,259	1,148,946	-	307,946	-	74,121,781
Placements with banks	-	4,957,417	-	-	-	-	-	4,957,417
Securities purchased under resale agreements	2,074,474	-	-	-	-	-	-	2,074,474
Derivative financial instruments	4,342,531	-	-	-	-	-	-	4,342,531
Financial assets recognised through profit or loss measured at fair value	9,230,022	-	-	-	-	-	-	9,230,022
Financial assets at amortised cost' - loans and advances	2,371,505,980	-	29,343,505	11,111,601	-	1,801,205	-	2,413,762,291
Financial assets at amortised cost' - debt and other instruments	1,058,689,522	-	23,490,354	-	-	-	-	1,082,179,876
Financial assets measured at fair value through OCI	16,521,688	-	-	1,780,868	-	-	-	18,302,556
Total financial assets	3,587,750,983	6,402,048	58,096,464	14,089,231	18,467,946	2,130,455	4,681,227	3,691,618,354
LIABILITIES								
Due to banks	16,206,814	212,760	-	883,479	624,976	-	8,041	17,936,070
Securities sold under repurchase agreements	162,156,413	-	-	-	-	-	-	162,156,413
Derivative financial instruments	380,328	-	-	-	-	-	-	380,328
Financial liabilities at amortised cost' - due to depositors	2,810,922,352	-	44,536,465	9,098,976	-	2,336,217	-	2,866,894,010
Financial liabilities at amortised cost' - other borrowings	20,629,245	-	-	-	-	-	423,478,732	444,107,977
Subordinated term debts	64,358,855	-	-	-	-	-	-	64,358,855
Total financial liabilities	3,074,654,007	212,760	44,536,465	9,982,455	624,976	2,336,217	423,486,773	3,555,833,653

31 December 2020	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	52,670,061	485,030	974,282	36,932	23,441,385	28,422	6,780,512	84,416,624
Balances with Central Banks	27,006,487	-	4,546,193	1,526,463	-	272,709	-	33,351,852
Placements with banks	185,852	27,429,999	-	-	-	-	-	27,615,851
Securities purchased under resale agreements	2,001,047	-	-	-	-	-	-	2,001,047
Derivative financial instruments	548,926	-	-	-	-	-	-	548,926
Financial assets recognised through profit or loss measured at fair value	9,856,220	-	-	-	-	-	-	9,856,220
Financial assets at amortised cost ' - loans and advances	1,951,837,099	-	25,820,539	9,708,542	-	1,042,827	-	1,988,409,007
Financial assets at amortised cost ' - debt and other instruments	709,958,244	-	14,431,928	-	-	-	-	724,390,172
Financial assets measured at fair value through OCI	13,768,009	-	-	1,594,471	-	-	-	15,362,480
Total Financial assets	2,767,831,945	27,915,029	45,772,942	12,866,408	23,441,385	1,343,958	6,780,512	2,885,952,179
LIABILITIES								
Due to banks	515,294	120,029	-	1,448,335	301,339	-	17,046	2,402,043
Securities sold under repurchase agreements	57,106,652	-	-	-	-	-	-	57,106,652
Derivative financial instruments	102,182	-	-	-	-	-	-	102,182
Financial liabilities at amortised cost ' - due to depositors	2,431,117,755	-	34,927,938	7,014,980	-	1,714,815	-	2,474,775,488
Financial liabilities at amortised cost ' - other borrowings	64,300,782	-	-	-	-	-	116,583,345	180,884,127
Debt securities issued	-	-	-	-	-	-	-	-
Subordinated term debts	64,637,407	-	-	-	-	-	-	64,637,407
Total financial liabilities	2,617,780,072	120,029	34,927,938	8,463,315	301,339	1,714,815	116,600,391	2,779,907,899

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64.2.7 Sector wise exposure				
31 December 2021	Agriculture and fisheries	Banking finance and insurance	Hotels travels and services	Housing, construction and infrastructure
	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	-	82,659,609	-	-
Less : Impairment	-	-	-	-
Balances with Central Banks	-	68,797,576	-	-
Placements with banks	-	4,957,950	-	-
Less : Impairment	-	-	-	-
Securities purchased under resale agreements	-	2,074,474	-	-
Derivative financial instruments	-	4,342,531	-	-
Financial assets recognised through profit or loss - measured at fair value	391,257	49,175	32,356	18,390
Financial assets at amortised cost' - loans and advances	168,480,238	86,130,795	149,153,328	524,557,548
Less : Impairment	-	-	-	-
Financial assets at amortised cost' - debt and other instruments	-	153,384	-	-
Less : Impairment	-	-	-	-
Financial assets measured at fair value through OCI	-	4,150,640	-	-
Total Financial Assets	168,871,495	253,316,134	149,185,684	524,575,938
31 December 2020	Agriculture and fisheries	Banking finance and insurance	Hotels travels and services	Housing, construction and infrastructure
	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	-	84,427,892	-	-
Less : Impairment	-	-	-	-
Balances with Central Banks	-	27,264,328	-	-
Placements with banks	-	27,616,245	-	-
Less : Impairment	-	-	-	-
Securities purchased under resale agreements	-	-	-	-
Derivative financial instruments	-	548,926	-	-
Financial assets recognised through profit or loss - measured at fair value	395,308	3,119,767	45,984	241,333
Financial assets at amortised cost' - loans and advances	143,583,044	57,989,388	145,840,254	488,058,761
Less : Impairment	-	-	-	-
Financial assets at amortised cost' - debt and other instruments	-	153,384	-	-
Less : Impairment	-	-	-	-
Financial assets measured at fair value through OCI	-	2,492,269	-	-
Total Financial Assets	143,978,352	203,612,199	145,886,238	488,300,094
* This excludes exposure to State Owned Enterprises				

Manufacturing	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
-	-	-	-	-	-	82,659,609
-	-	-	-	-	-	(12,203)
-	-	-	-	5,324,205	-	74,121,781
-	-	-	-	-	-	4,957,950
-	-	-	-	-	-	(533)
-	-	-	-	-	-	2,074,474
-	-	-	-	-	-	4,342,531
1,730,148	8,303	2,336,466	-	102,192	4,561,735	9,230,022
179,824,294	366,791,141	475,917,078*	206,713,908	81,929,293	337,170,550	2,576,668,173
-	-	-	-	-	-	(162,905,882)
-	3,979,060	1,091,846,513	-	-	-	1,095,978,957
-	-	-	-	-	-	(13,799,081)
-	-	13,321,766	-	830,150	-	18,302,556
181,554,442	370,778,504	1,583,421,823	206,713,908	88,185,840	341,732,285	3,691,618,354

Manufacturing	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
-	-	-	-	-	-	84,427,892
-	-	-	-	-	-	(11,268)
-	-	-	-	6,087,524	-	33,351,852
-	-	-	-	-	-	27,616,245
-	-	-	-	-	-	(394)
-	-	-	-	2,001,047	-	2,001,047
-	-	-	-	-	-	548,926
1,403,273	138,806	3,652,488	104,261	390,863	364,137	9,856,220
114,697,275	266,311,439	306,860,446*	206,824,644	79,497,934	305,541,559	2,115,204,744
-	-	-	-	-	-	(126,795,737)
-	4,121,521	725,609,104	-	-	-	729,884,009
-	-	-	-	-	-	(5,493,837)
-	-	10,944,511	-	1,925,700	-	15,362,480
116,100,548	270,571,766	1,047,066,549	206,928,905	89,903,068	305,905,696	2,885,952,179

NOTES TO THE FINANCIAL STATEMENTS

64.2.8 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.

As at 31 December	Bank	
	2021 LKR '000	2020 LKR '000
Acceptances and documentary credit	274,415,072	188,518,672
Bills for collection	29,141,466	20,100,204
Forward exchange contracts	126,597,458	45,012,605
Guarantees	157,348,930	124,846,871
Other commitments	110,678,774	27,791,512
	698,181,700	406,269,864

64.2.9 Management overlays over Expected Credit Risk

Beyond the Bank's normal impairment calculation process adopted for the loans and advances as per the SLFRS 09 and CBSL Directions, the Bank considered the impacted industries from the present economic condition of the country due to COVID 19 pandemic. Accordingly the management overlays were applied for Tourism and Construction sectors as risk elevated industries and customers coming into stage 1 for those industries were transferred to Stage 2 when assessing the impairment considering the life time expected loss rather than 12 months expected loss under stage 1. Further, the Bank decided to make additional provision for credit facilities which are converted to new loans under various moratorium and concession schemes during the year considering the potential risk.

In order to capture the prevailing economic conditions in to Economic Factor Adjustment (EFA) to incorporate the expected credit loss in determining the impairment for collectively assessed portfolios, the Bank increased the weightages applied for the expected economic scenarios as follows;

Economic Scenario	Previous Weightages	New Weightages
Best	20%	20%
Base	50%	30%
Worst	30%	50%

Sri Lanka's sovereign rating was downgraded to "CC" from "CCC" during the year and in line with the country rating downgrade the PD ratio which is linked to the Country rating was revised from 10% to 30%. Impairment provisioning for foreign currency denominated sovereign instruments and foreign currency denominated lending a calculated based on the PD which is link to the counterparty rating.

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. The Bank maintains diversified funding sources in addition to its deposit base while monitoring and managing its future commitments daily basis to ensure effective liquidity management. The Central Bank's (CBSL) repo window became one of the main sources of fundings during the pandemic to be inline with the varying market conditions. Further the Bank's Liquidity Risk Management Framework plays vital role to ensure honouring the payment obligations of the Bank are made in a timely and efficient manner. In addition, Liquidity Risk Management Framework includes compliance with the regulatory requirements, optimum usage of liquid assets for higher returns and funding business expansion.

64.3.1 Liquidity Risk Exposure

The key liquidity measurement tool used by the Bank is the liquid asset ratio which is a regulatory liquidity measurement device. Cash, Cash equivalents and Investment in Government securities are the main liquid assets which the Bank carefully manages to get a optimum return while maintaining healthy liquidity levels. In addition, Liquidity position is assessed in normal and stress scenarios relating to the Bank specific, market specific and combined conditions to ensure its management at any circumstances.

	Bank		Off shore Banking Division	
	2021	2020	2021	2020
As at 31 December	24.97%	26.57%	25.34%	29.48%
Average for the year	26.16%	28.61%	27.18%	25.30%
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	
	2021	2020
As at 31 December		
Financial assets		
Non-derivative financial assets		
Cash and cash equivalents	-	-
Balances with Central Banks	-	-
Placements with banks	-	4,409,613
Securities purchased under resale agreements	-	-
Financial assets measured at fair value through profit or loss	4,169,768	6,232,543
Financial assets measured at amortised cost - loans and advances	1,243,419,399	1,236,117,157
Financial assets measured at amortised cost - debt instruments	844,741,483	502,362,478
Financial assets measured at fair value through OCI	16,226,426	13,046,977
Total non-derivative financial assets	2,108,557,076	1,762,168,768
Financial liabilities		
Non-derivative financial liabilities		
Due to banks	-	-
Securities sold under repurchase agreements	-	-
Financial liabilities at amortised cost - due to depositors	77,820,693	61,524,223
Financial liabilities at amortised cost - other borrowings	46,160,573	-
Subordinated liabilities	56,254,905	55,405,153
Total non-derivative financial liabilities	180,236,171	116,929,376

The analysis of total assets and liabilities of the Bank into relevant maturity groupings based on the remaining period as at 31 December 2021 into the contractual maturity date is given in Note No. 60.

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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 31 December 2021.

31 December 2021	On demand LKR '000	Less than 3 months LKR '000	3 to 12 months LKR '000	1 to 5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Due to banks	17,936,070	-	-	-	-	17,936,070
Securities Sold Under Repurchase Agreements	-	170,428,673	-	-	-	170,428,673
Derivative financial instruments	-	380,328	-	-	-	380,328
Financial liabilities at amortised cost - due to depositors	1,031,468,452	708,254,611	1,101,418,097	76,925,090	2,922,588	2,920,988,838
Financial liabilities at amortised cost - other borrowings	288,578,014	100,360,987	21,763,640	32,295,307	18,082,361	461,080,309
Total	1,337,982,536	979,424,599	1,123,181,737	109,220,397	21,004,949	3,570,814,218

31 December 2020	On demand LKR '000	Less than 3 months LKR '000	3 to 12 months LKR '000	1 to 5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Due to banks	-	2,402,043	-	-	-	2,402,043
Securities Sold Under Repurchase Agreements	-	54,802,364	3,931,613	-	-	58,733,977
Derivative financial instruments	-	102,182	-	-	-	102,182
Financial liabilities at amortised cost - due to depositors	862,427,097	618,927,956	942,537,097	67,712,484	138,598	2,491,743,232
Financial liabilities at amortised cost - other borrowings	-	100,682,906	88,955,514	54,173,770	19,095,745	262,907,935
Total	862,427,097	776,917,451	1,035,424,224	121,886,254	19,234,343	2,815,889,369

64.4 Market Risk

Market risk is the risk of loss arising 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 gold stock. The Bank classifies exposures into either trading or non-trading portfolios and manages each of these portfolios separately. The market risk for the foreign exchange and equity trading portfolios are managed and monitored based on a Value at Risk (VaR) methodology. Interest rate risk of the trading portfolio is managed through Price Value per Basis Point (PVBP) and duration gap analysis. In addition trading and non trading portfolios are managed through risk monitoring, risk assessment, sensitivity analysis and stress testing.

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 2021	Note	Market risk measurement		
		Carrying amount LKR '000	Trading portfolios LKR '000	Non-trading portfolios LKR '000
Assets subject to market risk				
Cash and cash equivalents	22	82,647,406	-	82,647,406
Balances with Central Banks	23	74,121,781	-	74,121,781
Placements with banks	24	4,957,417	-	4,957,417
Securities purchased under resale agreements	25	2,074,474	-	2,074,474
Derivative financial instruments	26	4,342,531	4,342,531	-
Financial assets recognised through profit or loss				
- measured at fair value	27	9,230,022	9,230,022	-
Financial assets at amortised cost				
- loans and advances	28	2,413,762,291	-	2,413,762,291
- debt and other instruments	29	1,082,179,876	-	1,082,179,876
Financial assets measured at fair value through OCI	30	18,302,556	-	18,302,556
Investment in subsidiary companies	31	8,181,138	-	8,181,138
Investment in associate companies	32	92,988	-	92,988
Investment properties	33	2,414,640	-	2,414,640
Property, Plant and Equipment	34	32,757,485	-	32,757,485
Right of Use Assets/ Leasehold properties	35	3,137,955	-	3,137,955
Intangible assets	36	1,039,985	-	1,039,985
Deferred tax assets	37	2,152,712	-	2,152,712
Other assets	38	61,888,586	-	61,888,586
Total assets		3,803,283,843	13,572,553	3,789,711,290
Liabilities subject to market risk				
Due to banks	39	17,936,070	-	17,936,070
Securities sold under repurchase agreements	40	162,156,413	-	162,156,413
Derivative financial instruments	41	380,328	380,328	-
Financial liabilities at amortised cost		-	-	-
- due to depositors	42	2,866,894,010	-	2,866,894,010
- other borrowings	43	444,107,977	-	444,107,977
Debt securities issued	44	-	-	-
Current tax liabilities	45	647,993	-	647,993
Deferred tax liabilities	37	-	-	-
Insurance provision - Life	46	-	-	-
Insurance provision - Non life	46	-	-	-
Other liabilities	47	46,042,365	-	46,042,365
Subordinated liabilities	49	64,358,855	-	64,358,855
Total liabilities		3,602,524,011	380,328	3,602,143,683

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As at 31 December 2020	Note	Carrying amount LKR '000	Market risk measurement	
			Trading portfolios LKR '000	Non-trading portfolios LKR '000
Assets subject to market risk				
Cash and cash equivalents	22	84,416,624	-	84,416,624
Balances with Central Banks	23	33,351,852	-	33,351,852
Placements with banks	24	27,615,851	-	27,615,851
Securities purchased under resale agreements	25	2,001,047	-	2,001,047
Derivative financial instruments	26	548,926	548,926	-
Financial assets recognised through profit or loss				
- measured at fair value	27	9,856,220	9,856,220	-
Financial assets at amortised cost				
- loans and advances	28	1,988,409,007	-	1,988,409,007
- debt and other instruments	29	724,390,172	-	724,390,172
Financial assets measured at fair value through OCI	30	15,362,480	-	15,362,480
Investment in subsidiary companies	31	6,513,048	-	6,513,048
Investment in associate companies	32	92,988	-	92,988
Investment properties	33	2,534,118	-	2,534,118
Property, Plant and Equipment	34	33,366,003	-	33,366,003
Right of Use Assets/ Leasehold properties	35	3,208,879	-	3,208,879
Intangible assets	36	1,020,881	-	1,020,881
Deferred tax assets	37	-	-	-
Other assets	38	50,292,999	-	50,292,999
Total assets		2,982,981,095	10,405,146	2,972,575,949
Liabilities subject to market risk				
Due to banks	39	2,402,043	-	2,402,043
Securities sold under repurchase agreements	40	57,106,652	-	57,106,652
Derivative financial instruments	41	102,182	102,182	-
Financial liabilities at amortised cost		-	-	-
- due to depositors	42	2,474,775,488	-	2,474,775,488
- other borrowings	43	180,884,127	-	180,884,127
Debt securities issued	44	-	-	-
Current tax liabilities	45	591,723	-	591,723
Deferred tax liabilities	37	923,462	-	923,462
Insurance provision - Life	46	-	-	-
Insurance provision - Non life	46	-	-	-
Other liabilities	47	44,898,628	-	44,898,628
Subordinated liabilities	49	64,637,407	-	64,637,407
Total liabilities		2,826,321,712	102,182	2,826,219,530

64.4.2 Interest rate risk

Interest rate risk is the possibility of fluctuation in the future cash flows or the fair value of financial instruments as a result of an unexpected changes in interest rates that negatively affects the Net Interest Income (NII). Continuous monitoring and periodic repricing strategies ensures the interest rate risk is managed effectively.

Price Value per Basis Point (PVBP) and Duration analysis are monitored against the risk appetite limits daily basis to assess the impact of interest rate changes on Bank's trading portfolios of treasury bonds and bills which are rate sensitive instruments. PVBP measures the change in the value of Treasury bills and bonds due to a 1 basis point change in the interest rates.

As at 31 December	2021 LKR '000	2020 LKR '000	Risk Appetite LKR '000
PVBP			
Investment in TBills	2,550	7,407	600,000
Investment in TBonds	869,969	566,120	1,800,000

Sensitivity analysis of interest sensitive assets and liabilities is carried out to monitor interest rate risk in the banking book by placing those assets and liabilities in pre-determined maturity buckets considering its residual time to maturity and setting and monitoring gap limits and the repricing profile. The table below analyses the bank's interest rate risk exposure as a percentage on financial assets and liabilities.

2021	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	13.6%	17.2%	5.7%	9.3%	8.7%	16.9%	7.2%	5.9%	15.3%
Rate sensitive liabilities	19.4%	18.0%	9.1%	14.4%	4.4%	4.4%	3.4%	3.4%	23.5%
GAP	-5.8%	-0.8%	-3.4%	-5.1%	4.3%	12.5%	3.8%	2.5%	-8.2%

2020	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	9.0%	17.6%	12.2%	13.6%	11.6%	11.6%	4.7%	4.7%	15.0%
Rate sensitive liabilities	11.7%	15.0%	12.7%	17.9%	4.5%	4.5%	4.1%	4.1%	25.6%
GAP	-2.7%	2.6%	-0.5%	-4.3%	7.1%	7.1%	0.6%	0.6%	-10.6%

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64.4.3 Foreign Exchange Risk

Currency Risk is the risk of 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 carries a moderate level of open positions during the year which is within the prescribed limit of Central Bank of Sri Lanka. The Bank strategically managed the negative impacts of currency fluctuations to improve profit over foreign currency trading transactions which were carried out within a limited scale. While dealing with foreign currency funding requirements to cater essential goods importation amid managed USD/LKR rate. A comprehensive limit management Framework including individual exposures as well as aggregated exposures prescribed by the IRMC govern the Foreign Exchange Risk. Stress testing analysis carried out on foreign exchange transactions assesses the impact to profit and CAR during stress situations to identify additional capital charge requirements.

Foreign Exchange Position as at 31 December	2021		2020	
	Net Overall Long LKR '000	Net Overall Short LKR '000	Net Overall Long LKR '000	Net Overall Short LKR '000
Currency				
United States Dollar	620,571			(675,097)
Great Britain Pound	1,110			(3,687)
Euro	96,060			(24,642)
Japanese Yen	2,928		9,093	
Australian Dollar		(458)		(1,354)
Canadian Dollar	542			(2,177)
Swiss Franc	1,049		1,238	
Singapore Dollar	13,908			(2,603)
Hong Kong Dollar	4,783		5,452	
Sub Total	740,951	(458)	15,783	(709,560)
Other Currencies	23,795	(1,251)	27,097	(1,433)
Grand Total	764,746	(1,709)	42,880	(710,993)
Higher of Long or Short		764,746		710,993

Impact on Income Statement due to Exchange Rate Shocks

Exchange Rate Shocks	2021		2020	
	Net Open Position (After Rate Shocks) LKR '000	Impact on Income Statement as at 31 December 2021 LKR '000	Net Open Position (After Rate Shocks) LKR '000	Impact on Income Statement as at 31 December 2020 LKR '000
5%	726,509	(38,237)	675,443	(35,550)
10%	688,271	(76,475)	639,894	(71,099)
-5%	802,983	38,237	746,543	35,550
-10%	841,221	76,475	782,092	71,099

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 individual stocks. Equity risk is monitored by stipulating overall portfolio limits, dealer limits, loss limits and use of VaR methodology. The recovery of the share market due to low interest rate scenario enabled the Bank to realise gain on the long outstanding portfolios during the year which reflected in heightened capital gain on sale of shares.

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

Proper capital management is vital in ensuring the long term stability of the business. The primary objective of capital management is to ensure maintenance of minimum regulatory capital requirement and optimum capital usage for maximum profitability. In addition capital management supports future business expansion and ensures capital buffers are maintained to cushion the stress scenarios. The Bank ensures that adequate capital has been allocated to achieve strategic objectives of the Bank through three year budget and corporate plan which embedded with capital calculation. The Bank prepares a capital augmentation plan which determines the sources of capital to ensure the achievement of pre-determined capital targets as well as to accommodate capital for stress scenarios. Given the size and the nature of the business, retained earnings is the primary source of internal capital generation of the Bank.

64.6.1 Capital Adequacy and Internal Capital Adequacy Assessment Process (ICAAP)

The Capital Adequacy Ratio (CAR) is a measurement of a bank's available capital expressed as a percentage of risk-weighted assets of credit, market and operational aspects of the banking business. It is a measure of financial soundness of a bank which ascertain how effectively it can sustain a reasonable level of risk.

Central Bank of Sri Lanka (CBSL) as the regulatory authority defines minimum capital requirements based on the Basel accords considering the systemic importance of banks and the prevailing economic condition of the country. Minimum total capital requirement for Domestic Systematically Important Banks (DSIBs) is 14% and requires bank to maintain Tier I capital level 10%. CBSL continuously monitors CAR and pillar II risks to determine the banks ability to sustain operating losses and thereby ensure the resilience of the banking industry.

Inline with the Basel requirement and guidelines prescribed by the regulator, the Bank uses internationally accepted internal models to assess the pillar II risks in ICAAP and carry out comprehensive Stress testing using multiple scenarios to determine the total capital requirement of the Bank. IIRMD actively and continuously monitors the CAR and pillar II risks, while stressing rigorously for worst possible scenarios. ICAAP factors out all possible qualitative risks such as reputation risk, compliance risk and IT Risk. Strategic risk is assessed through an internally developed risk index and assessment of concentration risk ensures that the Bank has a well diversified portfolio which is not excessively exposed to any counterparty, product, sector or a geographical segment.

Capital levels

As at 31 December	2021	2020
Capital charge for credit risk [LKR '000]	172,957,147	158,078,588
Capital charge for market risk [LKR '000]	2,321,172	1,317,528
Capital charge for operational risk [LKR '000]	16,152,434	13,411,285
Tier I Capital (Regulatory minimum - 2021 - 10%, 2020 - 9%)	14.25	11.22
Total Capital (Regulatory minimum - 2021 - 14%, 2020 - 13%)	17.77	14.88

COMPLIANCE ANNEXES

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COMPLIANCE WITH CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2017 ISSUED BY CA SRI LANKA

Sections referred to in the code	Compliance status
A.	Directors The Board
A.1	<p>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.</p> <p>As per the said Ordinance, the number of Directors permitted on the Board is only six members. During the year 2021 Board consisted of six members.</p> <p>The Composition of the Board in 2021 as at this Annual Report date is given on pages 82 and 85 of this Annual Report.</p> <p>The Board members who have skills and experience as indicated in the details about them direct and lead the Bank with effective controls.</p>
A.1.1	<p>Board Meetings</p> <p>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 26 times and attendance at meetings is summarised on page 88.</p>
A.1.2	<p>Role and responsibilities of the Board</p> <p>The role and responsibilities of the Board are incorporated in the Board Charter which was last reviewed in the year 2021 and incorporated into the recently adopted Corporate Governance Policy of the Bank.</p>
A.1.3	<p>To act in accordance with the laws of the country</p> <p>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.</p> <p>Access to Independent Professional Advice</p> <p>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 2021.</p>
A.1.4	<p>Advice and services of the Company Secretary</p> <p>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 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.</p> <p>Any question of the removal of the Secretary to the Board / Secretary, Bank of Ceylon is a matter for the full Board.</p>
A.1.5	<p>Independent judgement</p> <p>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.</p>
A.1.6	<p>Dedicating adequate time and effort to matters of the Board and the Bank.</p> <p>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 clarification. Pre-Board meetings are scheduled when deemed necessary.</p>
A.1.7	<p>Calling of Resolution</p> <p>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.</p>

COMPLIANCE WITH CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2017 ISSUED BY CA SRI LANKA

Sections referred to in the code	Compliance status
A.1.8	<p>Training for Directors</p> <p>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 and Directors' responsibilities and are provided with a Board Manual incorporating all the above given in e-form through the Bank's electronic support system.</p> <p>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. During the year some Directors attended a programme on Good Governance .</p>
A.2	<p>Division of responsibilities between the Chairman and Chief Executive Officer (CEO).</p> <p>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.</p>
A.3	<p>Chairman's Role</p> <p>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 is prepared by the Secretary, Bank of Ceylon / Secretary to the Board, which is approved by the Chairman, based primarily on the memoranda submitted through the General Manager and any other relevant matters proposed by a Director/s. The agenda covers matters relating to strategy, performance, resource allocation, risk management and compliance. Sufficiently detailed information on matters included in the agenda is circulated to Directors well ahead of the meetings through a secure e-Solution.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The views of Directors on issues under consideration are ascertained and a record of such deliberations are reflected in the minutes in detail.</p>
A.4	<p>Financial acumen</p> <p>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.</p>
A.5	<p>Board Balance</p> <p>The Board of Bank of Ceylon is always comprised of Non-Executive Directors. When Alternate Directors are appointed, it is also ensured that they are Non-Executive.</p>
A.6	<p>Provision of timely information</p> <p>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.</p> <p>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.</p>
A.7	<p>Appointments to the Board</p> <p>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.</p>

Sections referred to in the code	Compliance status
A.8	<p>Re-appointment</p> <p>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.</p> <p>Resignation</p> <p>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. No Director resigned during the year.</p>
A.9	<p>Appraisal of Board and its subcommittees</p> <p>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. Also the members of the Board Subcommittees collectively evaluated the performance of the Subcommittees for effectiveness and efficiency.</p>
A.10	<p>Disclosure of information in respect of Directors in the Annual Report.</p> <p>The following information pertaining to Directors are included in the Annual Report-</p> <p>Profiles of the Directors covering name, qualifications, nature of expertise and whether Executive / Non Executive are indicated on pages 19 to 21.</p> <p>Related party information indicated on pages 271 and 272. Directorships in other companies indicated on pages 19 to 21.</p> <p>Membership of Subcommittees and the number of Board and Subcommittee meetings attended during the year are indicated on page 88.</p>
A.11	<p>Appraisal of the Chief Executive Officer / General Manager</p> <p>The performance evaluation of the General Manager is carried out annually based on the targets set at the commencement of the fiscal year in line with Corporate Plan by the Human Resource and Remuneration Committee and the final report is submitted to the Board.</p>
B	<p>Directors' Remuneration</p>
B.1	<p>There is a formal Remuneration Policy in place for the Chairman and Board of Directors (all Non-Executive). The above policy is formulated based on the circulars issued by the Government, the shareholder, from time to time and other applicable legislation.</p>
B.2	<p>The Bank's Human Resource and Remuneration Committee accordingly has no role in deciding the remuneration of Directors. (It however recommends the remuneration of Senior Executives.)</p>
B.3	<p>Disclosure of Remuneration</p> <p>The Statement of Remuneration Policy for the Chairman and the Directors is contained in page 92 of this Annual Report. Details of remuneration paid to the Board as a whole is indicated on page 165.</p> <p>The composition of the Human Resource and Remuneration Committee appears on page 96.</p>
C	<p>Relations with Shareholders</p>
C.1	<p>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.</p>
C.2	<p>A Board approved Communication Policy is in place.</p> <p>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 was reviewed during the year under review.</p>

COMPLIANCE WITH CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2017 ISSUED BY CA SRI LANKA

Sections referred to in the code	Compliance status
C.3	<p>Further in order to comply with requirements of the Bank of Ceylon Ordinance No. 53 of 1938, the Banking Act No. 30 of 1988, Securities and Exchange Commission of Sri Lanka Act and their amendments and the Listing Rules of the Colombo Stock Exchange; as applicable, Directors disclose to the relevant Ministry all proposed major and material transactions the Bank wishes to enter into.</p> <p>There were no transactions which would materially affect the Bank's performance, its net asset base or related party transactions during the year other than what is disclosed under notes to the financial statements on page 271 and 277.</p>
D	Accountability and Audit
D.1	<p>Financial and Business Reporting (The Annual Report)</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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 115 to 119.</p> <p>Directors' Statement on Internal Control over Financial Reporting on pages 122 to 123. Management Discussion and Analysis under Our Performance and Delivering Values from pages 52 to 80.</p> <p>Report on Related Party Transactions of the Key Management Personnel and their Close Family Members appearing on pages 271 and 272.</p> <p>Statement of Directors' Responsibility for Financial Reporting on page 125. Report of the Auditor General on pages 126 to 129.</p>
D.2	<p>Bank's existing process on Risk Management and Internal Controls</p> <p>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 Programs, Policies and practices employed by the Bank to manage various types of risks, including compliance programs.</p> <p>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.</p> <p>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.</p> <p>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.</p>

Sections referred to in the code	Compliance status
D.3	Audit Committee The Board Audit Committee comprised exclusively of Non-Executive Directors during the year under review. The Chairman of the Committee during the year under review was an Independent Non- Executive Director. The Chairman and the members of the Audit Committee had relevant experience in financial reporting and control. The Board Audit Committee assists the Bank’s Board in fulfilling its oversight responsibilities. The Board Audit Committee ensures the carrying out of the reviews of the processes and effectiveness of risk management and internal controls and audit reports are submitted to the Committee. The role and responsibilities of the Audit Committee are disclosed in the Audit Committee Report appearing on pages 93 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 page 93 of this Annual Report.
D.4	Related Party Transactions The Bank has a Board approved Policy on Related Party Transactions in place covering related parties, their transactions and restrictions on offering more favourable treatment to related parties in order for the Board members to avoid any conflict of interest in this regard. The Report on the Related Party Transactions of the Key Management Personnel and their Close Family Members appear on pages 271 and 272 of this Annual Report.
D.5	Code of Business Conduct and Ethics The Bank maintains a Code of Ethics for the employees of the Bank and a separate Code of Business Conduct and Ethics for the Directors and an acknowledgement is obtained for affirmation of compliance with the Codes.
D.6	Corporate Governance Disclosures The Corporate Governance Report which is appearing on pages 82 to 92 discloses the extent of compliance with the provisions of the Code of Best Practice on Corporate Governance.
F.1 and F.2	Shareholder The Government of Sri Lanka is the sole shareholder of the Bank.
G	Internet of things and Cyber Security 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 Cyber Security risks that may affect the business. A Board approved Information Security Policy is in place which provides the management with direction and support to ensure protection of the Bank’s information assets. In addition, the Integrated Risk Management Committee assists the Board in ensuring that the Bank is protected from Cyber Security threats by recommending and following up on vulnerability assessments and reporting to the Board. Processes to identify and manage Cyber Security risks are included in the Risk Management Report of this Annual Report on page 111. The Bank has appointed a Chief Information Security Officer, in order to implement the Cyber Security 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 Cyber Security measures amongst others.
H	Environment, Society and Governance (ESG) ESG related disclosures appears in pages 8 to 9 of this Annual Report.

COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2021
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;	<p>Complied with.</p> <p>Strategic objectives are formulated and values are reviewed at sessions held with the participation of the Board and the Key Management Personnel. The Board approved Corporate Plan together with the corporate values were communicated to staff up to Branch Manager level and reinforced by the Corporate Management Team. All other levels of staff were informed through regular briefing sessions and at meetings.</p> <p>The Board approved Corporate Plan for 2022 to 2024 is in place prepared considering the volatility in the local and global economic factors as a result of COVID-19 pandemic since 2020 and the results of the new normal environment. The Corporate values are included in the intranet.</p>
	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;	<p>Complied with.</p> <p>The Bank's overall Business Strategy is included in the rolling Corporate Plan for a period of three years and the related Action Plan for the same period is prepared and approved by the Board.</p> <p>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.</p>
	c. Identify the principal risks and ensure implementation of appropriate systems to manage the risks prudently;	<p>Complied with.</p> <p>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.</p> <p>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.</p> <p>A Board approved Integrated Risk Management Policy covering all areas of major risks is in place.</p> <p>The following reports also provide further details in this regard:</p> <ul style="list-style-type: none"> • Risk Management Report on pages 100 to 113. • Integrated Risk Management Committee Report on pages 94 to 95.
	d. Approve implementation of a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers;	<p>Complied with.</p> <p>Board has approved and implemented a Communication Policy covering all stakeholders which was reviewed during the year under review.</p>
	e. Review the adequacy and the integrity of the bank's internal control systems and management information systems;	<p>Complied with.</p> <p>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.</p> <p>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.</p>

Section	Principle	Level of Compliance during the Year 2021
	f. Identify and designate Key Management Personnel;	Complied with. The Bank has identified the General Manager, Additional General Manager, Senior Deputy General Manager, Deputy General Managers, Assistant General Managers and officers in allied grades as Key Management Personnel (KMP) of the Bank for Corporate Governance purposes.
	g. Define the areas of authority and key responsibilities for the Board of Directors themselves and for the Key Management Personnel;	Complied with. Areas of authority and key responsibilities have been defined for the Directors and KMP through the Board Charter and position descriptions of KMP. A Board approved Board Charter is in place which was reviewed during the year under review.
	h. Ensure that there is appropriate oversight of the affairs of the bank by Key Management Personnel, that is consistent with Board policy;	Complied with. Performance against the Bank's Corporate Plan is reviewed by the Board based on the Action Plan. Key Management Personnel make presentations where necessary to the Board on matters under their purview and are also called in by the Board as and when needed to explain matters relating to their areas.
	i. Periodically assess the effectiveness of the Board Directors' own governance practices, including: (ii) the management of conflicts of interests; and (iii) the determination of weaknesses and implementation of changes where necessary;	Complied with. A self-evaluation of the performance of the Board is carried out annually assessing its own governance practices. Appointments to the Board are made by the shareholder, the Government of Sri Lanka through the Minister under whose purview the Bank comes in terms of the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. A Board approved Policy for the Appointment of Directors to the Board of Bank of Ceylon is in place. A Board approved Conflict of Interest Policy is in place.
	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 received, revised and recommended to the Board by the Nomination and Corporate Governance Committee. Process improvements are carried out in respect of Succession Planning.
	k. Meet regularly, on a needs basis, with the Key Management Personnel to review policies, establish communication lines and monitor progress towards corporate objectives;	Complied with. Key Management Personnel are regularly present or are called in for discussions at the meetings of the Board and its Subcommittees on policy and other matters relating to their areas. Progress towards the corporate objectives are monitored based on the Corporate Plan.
	l. Understand the regulatory environment and ensure that the bank maintains an effective relationship with regulators;	Complied with. On appointment as Directors, they are furnished with all applicable regulatory requirements pertaining to the Bank with the "Board Manual" given in e-form. They are also briefed about developments in the regulatory environment at Board meetings to ensure that their knowledge is updated regularly to facilitate effective discharge of their responsibilities. Any relevant communication from a regulator is brought to the notice of the Board. Information pertaining to Compliance reports submitted to the Central Bank of Sri Lanka which includes all returns to regulators are presented to the Board monthly and monitored by the Board. The Board is informed of regulatory requirements pertaining to Chennai, Maldives and Seychelles operations of the Bank.
	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.

COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2021
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.	<p>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.</p> <p>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.</p> <p>Mr K E D Sumanasiri, was appointed as the General Manager of Bank of Ceylon with effect from 16.08.2021 upon the retirement of Mr D P K Gunasekara with the necessary approvals . An internally formulated document is in place giving the criteria for selection of General Manager for Bank of Ceylon.</p>
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.	<p>Complied with.</p> <p>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-six times.</p> <p>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 2021, ten such resolutions have been adopted by circulation.</p>
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.	<p>Complied with.</p> <p>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.</p>
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.	<p>Complied with.</p> <p>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.</p> <p>Reasonable notice is given before any special meeting and consent of all Directors are obtained prior to scheduling a special meeting.</p>
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.	<p>Complied with.</p> <p>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 88. Directors' attendance has been in compliance with this Direction.</p>
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.	<p>Complied with.</p> <p>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.</p>
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.	<p>Complied with.</p> <p>All members of the Board have the opportunity to obtain the advice and services of the Secretary to the Board who is an Attorney-at- Law and who is responsible to the Board for follow-up of Board procedures, compliance with rules and regulations, directions and statutes.</p>
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.	<p>Complied with.</p> <p>The Secretary, Bank of Ceylon / Secretary to the Board maintains the minutes of the Board meetings and circulates same to all Board members through a secure e-Solution.</p> <p>The minutes are approved at the subsequent Board meeting.</p> <p>Additionally, the Directors have access to the past Board papers and minutes through the same e-Solution.</p>

Section	Principle	Level of Compliance during the Year 2021
3 (1) (x)	<p>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:</p> <p>b. the matters considered by the Board;</p> <p>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;</p> <p>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;</p>	<p>Complied with.</p> <p>Minutes of the meetings are kept covering the given criteria.</p>
	<p>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</p> <p>f. the decisions and Board resolutions.</p>	
3 (1) (xi)	<p>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.</p>	<p>Complied with.</p> <p>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.</p>
3 (1) (xii)	<p>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.</p>	<p>Complied with.</p> <p>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. 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.</p>
3 (1) (xiii)	<p>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.</p>	<p>Complied with.</p> <p>Powers reserved for the Board are included in the Board Charter.</p>
3 (1) (xiv)	<p>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.</p>	<p>Complied with.</p> <p>Such a situation has not arisen during the year 2021. Monthly Financial Statements submitted to the Board assures the Board of the Bank's solvency.</p>
3 (1) (xv)	<p>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.</p>	<p>Complied with.</p> <p>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.</p> <p>Calculation of CAR is submitted to the Board with the monthly Financial Statements of the Bank.</p>
3 (1) (xvi)	<p>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.</p>	<p>Complied with.</p> <p>These disclosures are part of the Corporate Governance Report in the Bank's Annual Report.</p>
3 (1) (xvii)	<p>The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually, and maintain records of such assessments.</p>	<p>Complied with.</p> <p>A scheme of self-assessment is adopted and undertaken at the end of the year.</p> <p>The self-assessment reports of the Board members are maintained by the Secretary, Bank of Ceylon / Secretary to the Board.</p>

COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2021
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.	<p>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.</p> <p>Composition of the Board in 2021 is given under Direction No. 3 (2)(viii) of this compliance report. Details of Board are included in page 85 of the Annual Report.</p>
		Amendments proposed to the Bank of Ceylon Ordinance which include the increase of number of Directors to accommodate the requirement of this Direction is in the approval process.
3 (2) (ii)	The total period of service of a Director other than a Director who holds the position of Chief Executive Officer shall not exceed nine years, and such period in office shall be inclusive of the total period of service served by such Director up to 1 January 2008.	<p>Complied with.</p> <p>Directors of Bank of Ceylon have been in office for a period less than nine years.</p> <p>Details of their appointments/resignations are included in the Annual Report.</p>
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.	<p>Complied with.</p> <p>Bank of Ceylon Ordinance does not provide for Executive Directors in Bank of Ceylon.</p>
3 (2) (iv)	<p>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 1 January 2010 onwards.</p> <p>A Non-Executive Director shall not be considered independent if he / she:</p> <ol style="list-style-type: none"> has direct and indirect shareholdings of more than 1% of the bank; currently has or had during the period of two years immediately preceding his / her appointment as director, any business transactions with the bank as described in Direction No. 3 (7) hereof, exceeding 10% of the regulatory capital of the bank; has been employed by the bank during the two- year period immediately preceding the appointment as Director; has a close relation who is a Director or Chief Executive Officer or a member of Key Management Personnel or a material shareholder of the bank or another bank. For this purpose, a "close relation" shall mean the spouse or a financially dependant child; represents a specific stakeholder of the bank; is an employee or a Director or a material shareholder in a Company or business organisation: <ol style="list-style-type: none"> which currently has a transaction with the bank as defined in Direction No. 3 (7) of these Directions, exceeding 10% of the regulatory capital of the bank; or in which any of the other Directors of the bank are employed or are Directors or are material shareholders; or 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. 	<p>Complied with.</p> <p>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.</p>
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.	<p>Complied with.</p> <p>No Alternate Director has been appointed to represent any Independent Director.</p>
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 19 to 21 spell out the necessary information.

Section	Principle	Level of Compliance during the Year 2021
3 (2) (vii)	A meeting of the Board shall not be duly constituted, although the number of Directors required to constitute the quorum at such meeting is present, unless more than one half of the number of Directors present at such meeting are Non-Executive Directors. This sub-direction shall be applicable from 1 January 2010 onwards.	Complied with. All the Board members of Bank of Ceylon are Non-Executive Directors.
3 (2) (viii)	The Independent Non-Executive Directors shall be expressly identified as such in all corporate communications that disclose the names of Directors of the bank. The bank shall disclose the composition of the Board, by category of Directors, including the names of the Chairman, Executive Directors, Non- Executive Directors and Independent Non- Executive Directors in the Annual Corporate Governance Report.	Complied with. Directors during the year 2021 and as at present are given below: <ul style="list-style-type: none"> • Mr Kanchana Ratwatte Chairman / Independent Non-Executive Director (Appointed w.e.f. 02 January 2020) • Mr R M Priyantha Rathnayake Non- Executive Ex Officio Director (Appointed w.e.f. 28 April 2020) • Mr G Harsha Wijayawardhana Independent Non-Executive Director (Appointed w.e.f. 14 January 2020) • Mr A C Manilka Fernando (Independent Non-Executive Director) (Appointed w.e.f. 21 April 2020) • Major General (Rtd.) G A Chandrasiri Independent Non-Executive Director (Appointed w.e.f. 08 January 2021) • Mr Jayampathy Molligoda Independent Non-Executive Director (Appointed w.e.f. 18 February 2021 and resigned on 31 January 2022)
3 (2) (ix)	There shall be a formal, considered and transparent procedure for the appointment of new Directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	Appointments to the Board are made by the shareholder, the Government of Sri Lanka through the Minister under whose purview the Bank falls in terms of the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. A Board approved Policy for the Appointment of Directors to the Board of Bank of Ceylon is in place describing the skills, experience, knowledge etc. required to be considered to be appointed to the Board and the appointment process which is shared with the relevant Ministry.
3 (2) (x)	All Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first General Meeting after their appointment.	This does not arise since the relevant Minister appoints Directors.
3 (2) (xi)	If a Director resigns or is removed from office, the Board shall <ol style="list-style-type: none"> 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 issue a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders. 	Complied with. The Government of Sri Lanka, the sole shareholder of the Bank does the appointments as well as the removals through the Minister under whose purview the Bank falls. Any resignation is also referred to the same Minister. The Central Bank of Sri Lanka and the Colombo Stock Exchange are kept informed of the resignations. The Shareholder of the Bank is the Government and the changes to the Directorate are carried out by the Government through the subject Minister.
3 (2) (xii)	A Director or an employee of a bank shall not be appointed, elected or nominated as a Director of another bank except where such bank is a subsidiary company or an associate company of the first mentioned bank.	Neither Directors nor employees of Bank of Ceylon are Directors of another Bank, other than for the appointment of a Deputy General Manager to the Pradeshiya Sanwardana Bank as per the requirements of the enabling enactments of this Bank (Pradeshiya Sanwardana Bank Act No. 41 of 2008). Prior to appointment as a Director to the Board of Bank of Ceylon, an affidavit is obtained in accordance with Section 42(1) and 76H of the Banking Act No. 30 of 1988 complying with Direction No. 8 of 2019 issued on 19.12.2019 ensuring this position.
3 (3) Criteria to Assess the Fitness and Propriety of Directors		
3 (3) (i)	The age of a person who serves as Director shall not exceed 70 years. In this context, the following general exemption shall apply: A Director who has reached the age of 70 years as at 1 January 2008 or who would reach the age of 70 years prior to 31 December 2008 may continue in office for a further maximum period of three years commencing 1 January 2009.	Complied with. None of the Directors of the Bank are over 70 years of age.

COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2021
3 (3) (ii)	A person shall not hold office as a Director of more than 20 companies / entities / institutions inclusive of subsidiaries or associate companies of the bank.	Complied with. No Director holds directorships of more than 20 companies / entities, etc.
3 (3) (iii)	A Director or a Chief Executive Officer of a licensed bank operating in Sri Lanka shall not be appointed as a Director or a Chief Executive Officer of another licensed bank operating in Sri Lanka before the expiry of a period of 6 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 between the Chairman, General Manager and other members of the Board.
3 (5) (iv)	The Chairman shall: (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and (c) ensure that all key and appropriate issues are discussed by the Board in a timely manner.	Complied with.
3 (5) (v)	The Chairman shall be primarily responsible for drawing up and approving the agenda for each Board meeting, taking into account where appropriate, any matters proposed by the other Directors for inclusion in the agenda. The Chairman may delegate the drawing up of the agenda to the Company Secretary.	Complied with. The Secretary, Bank of Ceylon / Secretary to the Board draws up the agenda from memoranda submitted through the General Manager and on the Chairman approving same it is circulated amongst the Board members. Any other relevant items proposed by any Board member are also included into the agenda.

Section	Principle	Level of Compliance during the Year 2021
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: <ul style="list-style-type: none"> Board papers are circulated well prior to the Board meetings through a secured electronic link except for few exceptions which are submitted late, if urgent. Pre-board meetings are held when required. Relevant members of the Management Team are on standby for any explanations and clarifications. Management information is provided in agreed formats on a regular basis to enable Directors to assess the performance and stability of the Bank. Directors are able to seek independent professional advice on needs basis at the Bank's expense.
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 is in place and are reviewed annually. The Secretary, Bank of Ceylon / Secretary to the Board serves as Secretary to all Subcommittees and maintains minutes etc. with oversight by the respective Chairpersons. The reports of the Subcommittees are included in this Annual Report indicating the activities carried out during the year. The Government being the sole shareholder, the Annual Report of the Bank is submitted to the Parliament of Sri Lanka and to the Ministry in charge of the Bank.
3 (6) (ii)	The following rules shall apply in relation to the Audit Committee: a. The Chairman of the Committee shall be an Independent Non-Executive Director who possesses qualifications and experience in accountancy and / or audit.	Complied with. The Audit Committee is chaired by an Independent Non-Executive Director who has the required qualifications and experience.
	b. All members of the Committee shall be Non- Executive Directors.	Complied with. All Directors of the Bank are Non-Executive.

COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2021
	<p>c. The Committee shall make recommendations on matters in connection with:</p> <ul style="list-style-type: none"> (i) the appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes; (ii) the implementation of the Central Bank Guidelines issued to Auditors from time to time; (iii) the application of the relevant accounting standards; and (iv) the service period, audit fee and any resignation or dismissal of the Auditor; provided that the engagement of the Audit partner shall not exceed five years, and that the particular Audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. 	<p>Complied with.</p> <p>In accordance with the Terms of Reference, the Audit Committee makes the following recommendations among many others:</p> <ul style="list-style-type: none"> • The implementation of the Central Bank Guidelines issued to auditors from time to time. • The application of the relevant accounting standards <p>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.</p>
	<p>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</p>	<p>The Bank's Auditor being the Auditor General, his independence and effectiveness is guaranteed under the Constitution of Sri Lanka.</p>
	<p>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:</p> <ul style="list-style-type: none"> (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. 	<p>This does not arise since the Auditor General is the Auditor of the Bank.</p> <p>However, the Committee ensures that provision by an audit firm (if and when appointed by the Auditor General to assist him in the audit of the Bank) of non-audit services does not impair that firm's independence or objectivity. In the year under review, no such audit firm was appointed.</p>
	<p>f. The Committee shall, before the audit commences, discuss and finalise with the External Auditors the nature and scope of the audit, including:</p> <ul style="list-style-type: none"> (i) an assessment of the bank's compliance with the relevant Directions in relation to corporate governance and the management's internal controls over financial reporting; (ii) the preparation of Financial Statements for external purposes in accordance with relevant accounting principles and reporting obligations; and (iii) the coordination between firms where more than one audit firm is involved. 	<p>The scope and the extent of audit is determined by the Auditor General.</p>

Section	Principle	Level of Compliance during the Year 2021
	<p>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:</p> <ul style="list-style-type: none"> (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. 	<p>Complied with.</p> <p>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.</p>
	<p>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.</p>	<p>Complied with.</p> <p>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.</p>
	<p>i. The Committee shall review the External Auditor's Management Letter and the management's response thereto.</p>	<p>Complied with.</p>
	<p>j. The Committee shall take the following steps with regard to the internal audit function of the bank:</p> <ul style="list-style-type: none"> (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; (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; (iii) Review any appraisal or assessment of the performance of the head and senior staff members of the Internal Audit Department; (iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function; (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; (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. 	<p>Complied with.</p> <p>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.</p> <p>Complied with.</p> <p>The Committee reviews the internal audit programme and results of the internal audit procedures and ensures that appropriate actions are taken for improvements.</p> <p>Complied with.</p> <p>Performance appraisal of Chief Internal Auditor was carried out by the Audit Committee in year 2021.</p> <p>Performance evaluation of senior staff members was carried out according to the Board approved evaluation process by the Chief Internal Auditor for the year 2021.</p> <p>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.</p> <p>Complied with.</p> <p>Such a situation has not arisen during the year.</p> <p>Complied with.</p> <p>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.</p>

COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2021
	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/Additional General Manager, Chief Internal Auditor, Chief Risk Officer and Compliance Officer and the representative of the Auditor General participate at the Committee meetings. The General Manager also attends the meetings on the invitation of the Committee. The members of the Management are invited for any explanations, if necessary. Closed door meetings are included into the agenda of the meetings and the representative of the Auditor General decides on the necessity. As indicated under "h" above 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 six 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 in page no. 93 The attendance details of the Committee is disclosed in the Annual Report in page no 88.
	p. The Secretary of the Committee (who may be the Company Secretary or the Head of the Internal Audit function) shall record and keep detailed minutes of the Committee meetings.	Complied with. Minutes are maintained by the Secretary to the Board / Secretary, Bank of Ceylon who is also the Secretary to the Committee.
	q. The Committee shall review arrangements by which employees of the bank may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the Committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the bank's relations with the External Auditor.	Complied with. A Board approved Whistle Blowing Policy which covers these aspects is in place which was reviewed during the year 2021 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 reviewed during the year 2021 when approving the Governance Policy.

Section	Principle	Level of Compliance during the Year 2021
		The Board approved Remuneration Policy for the Key Management Personnel is in place. The Committee make recommendations of the remuneration of the GM and KMP once in three years. The revision for the years 2021 to 2023 was recommended by this Committee 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 set Key Performance Indicators for the KMP with the participation of the full Board. Goals and targets for KMP are documented and detailed in the Action Plan prepared based on the Corporate Plan of the Bank. The General Manager is responsible for the implementation of the Corporate Plan through KMP. Based on the above plans, the Committee recommended the goals and targets set for the General Manager and the members of the Corporate Management for the year 2021. Directors are Non-Executive Directors and as such specific goals are not set for them.
	c. The Committee shall evaluate the performance of the CEO and Key Management Personnel against the set targets and goals periodically and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.	Year- end evaluation is scheduled to be carried out.
	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 2021.
	a. The Committee shall implement a procedure to select / appoint new Directors, CEO and Key Management Personnel.	The Directors are appointed by the Minister under whose purview the Bank falls. A Policy on Appointment of Directors (Internally prepared) has been shared with the line Ministry. According to the provisions of the Bank of Ceylon Ordinance, the Board with the approval of the said Minister appoints the General Manager. There is a Board approved general procedure / scheme for the appointment of the General Manager and KMP.
	b. The Committee shall consider and recommend (or not recommend) the re-election of current Directors, taking into account the performance and contribution made by the Director concerned towards the overall discharge of the Board's responsibilities.	This does not arise since the Directors are appointed by the relevant Minister.
	c. The Committee shall set the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the post of CEO and the key management positions.	Complied with. There is a Board approved eligibility criteria, qualifications and other key attributes and competencies expected from a candidate considered to be appointed to the position of the General Manager. The Board approved promotion schemes stipulate the attributes required to be eligible to be selected or promoted to the other key management positions.
	d. The Committee shall ensure that Directors, CEO and Key Management Personnel are fit and proper persons to hold office as specified in the criteria given in Direction 3 (3) and as set out in the statutes.	Complied with. Annual affidavits from Directors ensuring that they are fit and proper persons to hold office as specified in the criteria given in Direction 3 (3) and as set out in statutes are sent to CBSL. Also the Committee ensures that KMP are fit and proper persons to hold their offices when they are promoted or appointed as KMP.
	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.

COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2021
3 (6) (v)	The following rules shall apply in relation to the Integrated Risk Management Committee:	Complied with.
	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.	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 Compliance Officer participate at all Committee meetings at the request of the Committee. Any other KMP and other staff are invited as and when the Committee needs their presence. The Committee works closely with KMP within the framework of authority and responsibility assigned to the Committee.
	b. The Committee shall assess all risks, i.e. credit, market, liquidity, operational and strategic risks to the bank on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on a bank basis and group basis.	Complied with. Independent Integrated Risk Management Division of the Bank assesses the credit, market, liquidity, operational, strategic and reputational risks of the Bank based on the policy documents recommended by this Committee and approved by the Board, on a monthly basis and the summary reports are submitted to the Committee at its regular meetings and then to the next immediate Board meeting. In the case of subsidiaries and associates, a risk management dashboard has been developed to address the risks and is reported to the Committee. A Board approved Group Risk Policy is in place.
	c. The Committee shall review the adequacy and effectiveness of all management level committees such as the Credit Committee and the Asset Liability Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.	Complied with.
	d. The Committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the Committee on the basis of the bank's policies and regulatory and supervisory requirements.	Complied with. Specific quantitative and qualitative risks which go beyond the limits are monitored by the Chief Risk Officer and reported directly to the Committee based on the severity of the issues involved.
	e. The Committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	Complied with. During the year, the Committee met eight times. Details of meetings and attendance are given on page 88.
	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.

Section	Principle	Level of Compliance during the Year 2021
	<ul style="list-style-type: none"> 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. 	<p>Directors who have related party transactions are individually requested to declare their transactions. Transactions are monitored through an automated system.</p>
3 (7) (ii)	<p>The type of transactions with related parties that shall be covered by this Direction shall include the following:</p> <ul style="list-style-type: none"> 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. 	<p>Complied with. Information in this regard, is disclosed in the Annual Report.</p>
3 (7) (iii)	<p>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:</p> <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> (i) "Accommodation" shall mean accommodation as defined in the banking Act Direction No. 7 of 2007 on Maximum Amount of Accommodation. (ii) The "total net accommodation" shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the bank's share capital and debt instruments with a maturity of five years or more. b. Charging of a lower rate of interest than the bank's best lending rate or paying more than the bank's deposit rate for a comparable transaction with an unrelated comparable counterparty; c. Providing of preferential treatment, such as favourable terms, covering trade losses and / or waiving fees / commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties; d. Providing services to or receiving services from a related-party without an evaluation procedure; 	<p>Complied with.</p> <p>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.</p> <p>Any non-compliance brought to the notice of the Board would be addressed by the Board.</p>

COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2021
	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. c. Any Director who fails to comply with the above sub-directions shall be deemed to have vacated the office of Director and the bank shall disclose such fact to the public. d. This sub-direction, however, shall not apply to a Director who at the time of the grant of the accommodation was an employee of the bank and the accommodation was granted under a scheme applicable to all employees of such bank.	Complied with.
3 (7) (vi)	A bank shall not grant any accommodation or "more favourable treatment" relating to the waiver of fees and / or commissions to any employee or a close relation of such employee or to any concern in which the employee or close relation has a substantial interest other than on the basis of a scheme applicable to the employees of such bank or when secured by security as may be approved by the Monetary Board in respect of accommodation granted as per Direction 3 (7) (v) above.	Complied with. No favourable treatment / accommodation is provided to any employee of the Bank on more favourable terms unless under general staff loan schemes applicable to all employees of the Bank. Circular instructions have been issued in this regard. Close relations of Bank employees are also not given any favourable treatment.
3 (7) (vii)	No accommodation granted by a bank under direction 3(7)(v) and 3(7)(vi) above, nor any part of such accommodation, nor any interest due thereon shall be remitted without the prior approval of the Monetary 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 2021.
3 (8) Disclosure		
3 (8) (i)	The Board shall ensure that: a. annual Audited Financial Statements and quarterly Financial Statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards; and that b. such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.	Complied with.

Section	Principle	Level of Compliance during the Year 2021															
3 (8) (ii)	The Board shall ensure that the following minimum disclosures are made in the Annual Report:	Complied with.															
	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.	Disclosed in the "Annual Report of the Directors on the State of Affairs of the Bank", on pages 115 to 119 and "Directors' Responsibility for Financial Reporting" on page 125.															
	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 122 and 123 of this Annual Report and "Directors' Responsibility for Financial Reporting" on page 125.															
	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 124 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 19 to 21. Directors' Interest in Contracts with the Bank are given on pages 120 to 121. Remuneration paid by the Bank are given in Note 17 to the Financial Statements on page 165.															
	e. Total net accommodation as defined in 3 (7) (iii) granted to each category of related parties. The net accommodation granted to each category of related parties shall also be disclosed as a percentage of the bank's regulatory capital.	Complied with. "Total net accommodation" granted to each category of related parties during the year 2021 as a percentage of the Bank's regulatory capital is given below: Complied with.															
		<table border="1"> <thead> <tr> <th></th> <th>LKR '000</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Key Management Personnel (KMP)</td> <td>681,528</td> <td>0.28</td> </tr> <tr> <td>Subsidiaries</td> <td>691,797</td> <td>0.28</td> </tr> <tr> <td>Associates</td> <td>420,954</td> <td>0.17</td> </tr> <tr> <td>Government and Government- related entities (Refer definition in Note 61 of Financial Statements)</td> <td>2,414,798,009</td> <td>993.61</td> </tr> </tbody> </table>		LKR '000	%	Key Management Personnel (KMP)	681,528	0.28	Subsidiaries	691,797	0.28	Associates	420,954	0.17	Government and Government- related entities (Refer definition in Note 61 of Financial Statements)	2,414,798,009	993.61
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	f. The aggregate values of remuneration paid by the Bank to its Key Management Personnel and the aggregate values of the transactions of the bank with its Key Management Personnel, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the bank.	Complied with. The aggregate amount of remuneration paid by the Bank and transactions with KMP for the year 2021 are stated below:															
		<table border="1"> <thead> <tr> <th></th> <th>LKR '000</th> </tr> </thead> <tbody> <tr> <td>Short-term employment benefits</td> <td>613,180</td> </tr> <tr> <td>Post-employment benefits</td> <td>114,220</td> </tr> </tbody> </table>		LKR '000	Short-term employment benefits	613,180	Post-employment benefits	114,220									
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		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.															
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COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2021
	g. A confirmation by the Board of Directors in its Annual Corporate Governance Report that all the findings of the "Factual Finding Reports" of Auditors issued under "Sri Lanka Related Services Practice Statement 4750" have been incorporated in the Annual Corporate Governance Report provided that Auditors confirm to the Director of Bank Supervision to this effect.	Complied with. The Bank will obtain a certificate from the Auditor General in compliance with the Corporate Governance Direction No. 11 of 2007. All findings of the Auditors will be incorporated in this Corporate Governance Report and any recommendations will be dealt with in the ensuing year.
	h. A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non-compliances.	Complied with.
	i. A statement of the regulatory and supervisory concerns on lapses in the bank's risk management, or non-compliance with these Directions that have been pointed out by the Director of Bank Supervision, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the bank to address such concerns.	Complied with.
3 (9) (i)	Transitional and Other General Provisions Compliance with this Direction shall commence from 1 January 2008 onwards and all licensed commercial banks shall fully comply with the provisions of this Direction by or before 1 January 2009 except where extended compliance dates have been specifically provided for in this Direction.	Complied with.
3 (9) (ii)	In respect of the banks that have been incorporated by specific statutes in Sri Lanka, the Boards as specified in such statutes shall continue to function in terms of the provisions of the respective statutes, provided they take steps to comply with all provisions of this Direction that are not inconsistent with the provisions of the respective statutes.	Complied with. Bank of Ceylon takes all possible measures to comply with all applicable provisions of this Direction that are not inconsistent with the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments, the enabling enactment. Any instances of non-compliance and where Bank of Ceylon has continued to function in terms of the provisions of the statutes applicable to it has been specifically mentioned above against the relevant sections.
3 (9) (iii)	This Direction shall apply to the branches of the foreign banks operating in Sri Lanka to the extent that it is not inconsistent with the regulations and laws applicable in such bank's country of incorporation. The branch of a foreign bank shall also publish its parent bank's Annual Corporate Governance Report together with its Annual Report and accounts of the branch operations in Sri Lanka.	Not applicable.
3 (9) (iv)	In the event of a conflict between any of the provisions of this Direction and the Articles of Association (or Internal Rules) pertaining to any bank, the provisions of this Direction shall prevail. However, if the Articles of Association of an individual bank set a more stringent standard than that specified in this Direction, such provisions in the Articles of Association may be followed.	Not applicable.
3 (9) (v)	If for any reason such as ill health or any incapacity as provided in the Banking Act, the Monetary Board considers that exemptions referred to in Directions 3 (2) (ii) B, 3 (3) (i) A and 3 (3) (ii) A should not be availed of, such ground may be notified to the person by the Monetary Board, and after a hearing, the Monetary Board may limit the period of exemption.	Not applicable.

COMPLIANCE REQUIREMENTS ENFORCED BY COLOMBO STOCK EXCHANGE

Compliance to the Listing Rules on contents of Annual Report, which were applicable to the Bank for the year ended 31 December 2021 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 2021	13 May 2021
		Quarter 2 ended 30 June 2021	11 August 2021
		Quarter 3 ended 30 September 2021	15 November 2021
		Quarter 4 ended 31 December 2021	28 February 2022

Rule No.	Requirement	Compliance
7.4.b.(i)	Comply with LKAS 34 and disclose Group and Bank separately.	Complied with.
7.4.b.(ii)	Disclose the additional notes and ratios as per Listing Rules.	Complied with.
7.4.b.(iii)	Be signed by two Directors.	Complied with.
7.4.b.(iv)	State whether the Financial Statements are audited or not.	Complied with.
7.5.a	Annual Report to be submitted to CSE within five months from the closure of financial year.	The Audited Financial Statements for the year ended 31 December 2021 was submitted on 28 February 2022. Annual Report for the year 2021 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	117
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	115
		Notes to the Financial Statements	140
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.	369
7.6.(iv)	The public holding percentage.	Not applicable.	
7.6.(v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year.	Not applicable.	
7.6.(vi)	Information pertaining to material foreseeable risk factors of the entity.	Risk Management Report	100-113
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	215-235
7.6.(ix)	Number of shares representing the entity's stated capital.	Note 50.1 to the Financial Statements	259
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.	369
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	169, 259 357
	2. Market information on listed debentures.	Note 49 to the Financial Statements. Supplementary Information	256 357
	3. Any changes in credit rating.	Corporate Information	387

COMPLIANCE REQUIREMENTS ENFORCED BY COLOMBO STOCK EXCHANGE

Rule No.	Disclosure Requirement	Reference / Comments	Page No
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.	217-235
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.	244, 256, 259
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	371

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 2021	28 May 2021
		Quarter 2 ended 30 June 2021	30 August 2021
		Quarter 3 ended 30 September 2021	29 November 2021
		Quarter 4 ended 31 December 2021 (Audited)	25 March 2022

Compliance to other disclosure requirements on Annual Financial Statements, which were applicable to licensed commercial banks are summarised below:

1. Information About the Significance of Financial Instruments for Financial Position and Performance

1.1 Statement of Financial Position

1.1.1 Disclosures on categories of financial assets and financial liabilities	Note 21 to the Financial Statements
1.1.2 Other disclosures	
(i) Special disclosures about financial assets and financial liabilities designated to be measured at fair value through profit or loss, including disclosures about credit risk and market risk, changes in fair value attributable to these risks and the methods of measurement	Note 4.4, 27 and 64 to the Financial Statements
(ii) Reclassifications of financial instruments from one category to another	Note 63.4 to the Financial Statements
(iii) Information about financial assets pledged as collateral and about financial or non-financial assets held as collateral	Note 58 the Financial Statements
(iv) Reconciliation of the allowance account for credit losses by class of financial assets	Note 28.1 and 28.2 to the Financial Statements
(v) Information about compound financial instruments with multiple embedded derivatives	None
(vi) Breaches of terms of loan agreements	None
1.2 Statement of Comprehensive Income	
1.2.1 Disclosures on items of income, expense, gains and losses	Note 7 to 18 to the Financial Statements
1.2.2 Other disclosures	
(i) Total interest income and total interest expense for those financial instruments that are not measured at fair value through profit and loss	Note 8 to the Financial Statements
(ii) Fee income and expense	Note 9 to the Financial Statements
(iii) Amount of impairment losses by class of financial assets	Note 14 to the Financial Statements
(iv) Interest income on impaired financial assets	Note 8.1 to the Financial Statements
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

COMPLIANCE REQUIREMENTS ENFORCED BY THE CENTRAL BANK OF SRI LANKA

(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	None
- 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 or 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	None
- The fair value of the financial assets at the reporting date	
- The fair value gain or loss that would have been recognised in profit or loss or OCI during the reporting period if the financial assets had not been reclassified.	
1.3.5 Information on hedge accounting	Note 53 to the Financial Statements
1.3.6 Information about the fair values of each class of financial asset and financial liability, along with:	
(i) Comparable carrying amounts	Note 63 to the Financial Statements
(ii) Description of how fair value was determined	Note 63 to the Financial Statements
(iii) The level of inputs used in determining fair value	Note 63 to the Financial Statements
(iv) a. Reconciliations of movements between levels of fair value measurement hierarchy	None
b. Additional disclosures for financial instruments that fair value is determined using level 3 inputs	Note 63.1.3 to the Financial Statements
(v) Information if fair value cannot be reliably measured	None
2. Information About The Nature And Extent Of Risks Arising From Financial Instruments	
2.1 Qualitative disclosures	
2.1.1 Risk exposures for each type of financial instrument	Risk Report and Note 64 to the Financial Statements
2.1.2 Management's objectives, policies, and processes for managing those risks.	Risk Management Report
2.1.3 Changes from the prior period	Risk Management Report
2.2 Quantitative disclosures	
2.2.1 Summary of quantitative data about exposure to each risk at the reporting date	Note 64 to the Financial Statements
2.2.2 Disclosures about credit risk, liquidity risk, market risk, operational risk, interest rate risk and how these risks are managed	Note 64 to the Financial Statements
(i) Credit Risk	Note 64.2 to the Financial Statements
(a) Maximum amount of exposure (before deducting the value of collateral), description of collateral, information about credit quality of financial assets that are neither past due nor impaired and information about credit quality of financial assets	Note 64.2.2 to the Financial Statements

(b) For financial assets that are past due or impaired, disclosures on age, factors considered in determining as impaired and the description of collateral on each class of financial asset	Note 64.2.1 to the Financial Statements
(c) Information about collateral or other credit enhancements obtained or called	Note 64.2.2.1 to the Financial Statements
(d) Credit risk management practices - CRM practices and how they relate to the recognition and measurement ECL, including the methods, assumptions, and information used to measure ECL	Note 28 and 64 to the Financial Statements
- Quantitative and qualitative information to evaluate the amounts in the Financial Statements arising from ECL, including changes and the reasons for those changes	
- How the Bank determines whether the credit risk of financial instruments has increased significantly since initial recognition	
- The Bank's definitions of default for different financial instruments, including the reasons for selecting those definitions	
- How instruments are grouped if ECL are measured on a collective basis	
- How the bank determines that financial assets are credit - impaired	
- The Bank's write - off policy, including the indicators that there is no reasonable expectation of recovery	
- How the modification requirements have been applied	
(e) ECL calculations	Note 28 to the Financial Statements
- Basis of the inputs, assumptions and the estimation techniques used when estimating ECL	
- How forward - looking information has been incorporated into the determination of ECL including the use of macroeconomic information. Changes in estimation techniques or significant assumptions made during the reporting period	
(f) Amounts arising from ECL	Note 22, 24, 28 and 29 to the Financial Statements
- Reconciliation for each class of financial instruments of the opening balance to the closing balance of the impairment loss allowance	
(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

COMPLIANCE REQUIREMENTS ENFORCED BY THE CENTRAL BANK OF SRI LANKA

(v) Equity risk in the banking book (a) Qualitative disclosures	
Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons	Note 27 and 30 to the Financial Statements
Discussion of important policies covering the valuation and accounting of equity holdings in the banking book	Note 27 and 30 to the Financial Statements
(b) Quantitative disclosures	
Value disclosed in the statement of financial position of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value	Note 27.2, 30.2 and 30.3 to the Financial Statements
- The types and nature of investments	Note 27 and 30 to the Financial Statements
The cumulative realised gains / (losses) arising from sales and liquidations in the reporting period	Note 12 to the Financial Statements
(vi) Interest rate risk in the banking book (a) Qualitative disclosures	
Nature of interest rate risk in the banking book (IRRBB) and key assumptions	Note 64.4.2 to the Financial Statements
(b) Quantitative disclosures	
The increase / (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant)	Note 64.4.1 to the Financial Statements
2.2.3 Information on concentrations of risk	Note 64.2.4 to the Financial Statements
3. Other Disclosures	
3.1 Capital	
3.1.1 Capital structure	Note 50 to the Financial Statements
3.2 Qualitative disclosures	
Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of innovative, complex or hybrid capital instruments	Debt - Note 49 to the Financial Statements Equity - Note 50
3.3 Quantitative disclosures	
3.3.1 Quantitative disclosures	
- Paid-up share capital / common stock	Capital Adequacy in Compliance Annexes
- Reserves	Capital Adequacy in Compliance Annexes
- Non-controlling interests in the equity of subsidiaries	Capital Adequacy in Compliance Annexes
- Innovative instruments	None
- Other capital instruments	None
- Deductions from Tier 1 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

Basel III Regulatory Requirements

The Basel III accord is a set of financial reforms that was developed by the Basel Committee on Banking Supervision (BCBS), with the aim of strengthening regulation, supervision, and risk management within the banking industry. It is intended to strengthen bank capital requirements by increasing liquidity levels and optimising leverage in banks.

The three pillars of the Basel III framework as follows.

- Pillar I – Enhanced Minimum Capital and Liquidity Requirements
- Pillar II – Enhanced Supervisory Review Process for Firm-wide Risk Management and Capital Planning
- Pillar III – Enhanced Risk Disclosure and Market Discipline

Minimum Capital Requirements and Buffers

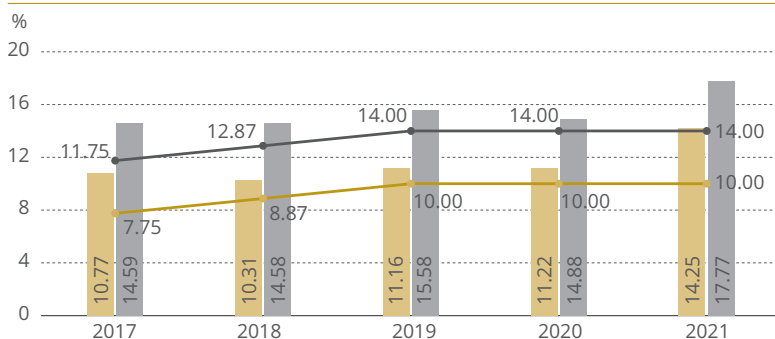
- The Banking Act Direction No.01 of 2016 introduced capital requirements for Licensed Commercial Banks to be fully implemented by January 01, 2019. The table below demonstrates the Bank's capital strength and its' compliance to regulatory requirements.

Components of Capital	Regulatory Minimum from 01.01.2019 %	31. 12. 2021 %	31. 12. 2020 %
Common Equity Tier 1 + CCB and Capital surcharge for D-SIBs	8.50	12.91	10.09
Total Tier 1	10.00	14.25	11.22
Total Capital	14.00	17.77	14.88

- All banks are required to hold additional capital buffers over and above the minimum CET I, Total Tier 1 and Total Capital Adequacy levels. The Bank has adequate levels of capital buffers to support its growth aspirations in stressed market conditions.
- Since CBSL issued their first consultation paper for Basel III implementation in April 2015, BoC initiated preparation towards Basel III by implementing clearly defined policies and action plans. By enhancing the capital base and applying risk-mitigating techniques, the Bank able to maintain the ratio well above the regulatory requirements as of 31 December 2021.

The below chart depicts the components of the Bank's capital and compliance with the requirements imposed by regulator.

Tier 1 and Total CAR



Issue of bonds and debentures to strengthen the capital

The Bank raised LKR 3.4 billion Additional Tier 1 Capital Bonds in 2021 to strengthen its Tier 1 capital ratio despite the challenging market and economic conditions. This has significantly improved the Bank's Tier 1 capital base, which has enabled it to consistently grow its lending portfolio.

Consequently, the Bank raised LKR 5.2 billion by issuing Basel III compliant – Tier 2, Unlisted, Unsecured, Subordinated, Redeemable debentures with Non-viability write down in 2021 in order to further improve the Tier 2 capital base.

Furthermore internally generated funds during the year has enhanced the Bank's capital base, enabling the bank to meet the regulatory capital adequacy requirements under the Basel III.

Enhanced Supervisory Review Process for Firm-wide Risk Management and Capital Planning

The Supervisory Review Process (SRP) assesses Banks' capital adequacy and determine if banks should hold additional capital to cover risks that are either not covered or inadequately covered by the minimum capital requirements under Pillar I. The process encourages banks to;

- Utilise better risk management techniques
- Enhance risk-based supervision in order to assess the capital adequacy
- Evaluate Internal Capital Adequacy Assessment Process (ICAAP) to determine the level of capital to be maintained against all risks and ensure adequate capital is available to support all risks

ICAAP supports the regulatory review process through aligning capital requirements to Bank's risk profile is given in the section on 'Risk Management' pages 99 to 113.

CAPITAL ADEQUACY

Enhanced Risk Disclosure and Market Discipline

Market Discipline aims to increase the level of transparency of the first two pillars by defining a set of disclosure requirements. These disclosures provide external stakeholders a better understanding of capital adequacy calculations by providing

an insight into the internal computation procedures followed within the Bank. Disclosures under these requirements broadly include; the regulatory capital requirements and liquidity, risk weighted assets, linkages between financial statements and regulatory exposures and information on assessment of D-SIBs.

Shown below are the Basel III disclosures with regard to regulatory capital, liquidity and risk management linkages with the published financial statements along with comparative information (individual and consolidated).

Basel III Disclosure Requirements Under Pillar III as per Banking Act Direction No 01 of 2016

Key Regulatory Ratios- Capital and Liquidity

Item	31.12.2021	
	Bank	Group
Regulatory Capital (LKR '000)		
Common Equity Tier 1	176,537,824	182,294,819
Tier 1 Capital	194,887,824	200,644,819
Total Capital	243,033,817	249,799,365
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 8.50%)	12.91	12.83
Tier 1 Capital Ratio (%) (Minimum Requirement - 10.00%)	14.25	14.13
Total Capital Ratio (%) (Minimum Requirement - 14.00%)	17.77	17.59
Leverage Ratio (%) (Minimum Requirement - 3.00%)	4.68	4.76

Item	Bank	
	31.12.2021	31.12.2020
Regulatory Liquidity		
Statutory Liquid Assets - Domestic (LKR '000)	715,407,611	625,559,328
Statutory Liquid Assets - FCBU (USD '000)	701,065	855,315
Statutory Liquid Assets Ratio (Minimum Requirement - 20%)		
Domestic Banking Unit (%)	24.97	26.57
Off-Shore Banking Unit (%)	25.34	29.48
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement 2021-100%, 2020 - 90%)	169.00	190.00
Liquidity Coverage Ratio (%) - All Currency (Minimum Requirement 2021-100%, 2020 - 90%)	111.45	136.97
Net Stable Funding Ratio (%) (Minimum Requirement 2021- 100%, 2020 - 90%)	124.31	131.00

Basel III Computation of Capital Ratios -31.12.2021

Item	Bank LKR'000	Group LKR'000
Common Equity Tier 1 (CET 1) Capital after Adjustments	176,537,824	182,294,819
Common Equity Tier 1 (CET 1) Capital	183,167,919	186,911,323
Equity Capital (Stated Capital)/ Assigned Capital	25,000,000	25,000,000
Reserve Fund	14,491,000	14,491,000
Published Retained Earnings/ (Accumulated Retained Losses)	136,739,177	138,104,222
Published Accumulated other Comprehensive Income (OCI)	3,592,322	4,129,313
General and other Disclosed Reserves	3,345,420	5,186,788
Unpublished current year's profit/ (losses) and gains reflected in OCI	-	-
Ordinary shares issued by consolidated banking and financial subsidiaries held by third parties	-	-
Total Adjustments to CET 1 Capital	6,630,095	4,616,504
Goodwill (net)	-	-
Intangible Assets (net)	965,939	1,140,545
Revaluation losses of Property, Plant and Equipment	52,913	52,913
Deferred tax assets (net)	1,066,793	3,280,640
Investments in the capital of banking and financial institutions where the bank does not own more than 10 per cent of the issued ordinary share capital of the entity	148,640	142,406
Significant investments in the capital of financial institutions where the bank owns more than 10 per cent of the issued ordinary share capital of the entity	4,395,809	-
Shortfall of capital in financial subsidiaries	-	-
Additional Tier 1 (AT I) capital after adjustment	18,350,000	18,350,000
Additional Tier 1 (AT I) capital	18,350,000	18,350,000
Qualifying Additional Tier 1 Capital Instruments	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	48,145,993	49,154,547
Tier 2 Capital	48,320,390	49,321,629
Qualifying Tier 2 Capital Instruments	22,975,611	23,375,611
Revaluation Gains	9,902,177	9,902,177
General Provisions	15,442,602	16,043,841
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustment to Tier 2	174,397	167,082
Investment in Own Shares	-	-
Investments in the capital of financial institutions and where the bank does not own more than 10 per cent of the issued capital carrying voting rights of the issuing entity	174,397	167,082
Significant investments in the capital of banking and financial institutions where the bank own more than 10 per cent of the issued ordinary share capital of the entity	-	-
CET I Capital	176,537,824	182,294,819
Total Tier 1 Capital	194,887,824	200,644,819
Total Capital	243,033,817	249,799,365

CAPITAL ADEQUACY

Basel III Computation of Capital Ratios - 31.12. 2021

Item	Bank LKR '000	Group LKR '000
Total Risk Weighted Assets (RWA)	1,367,362,524	1,420,493,260
RWAs for Credit Risk	1,235,408,190	1,283,507,303
RWAs for Market Risk	16,579,803	16,582,372
RWAs for Operational Risk	115,374,531	120,403,585
CET I Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer and Surcharge on D-SIBs) (%)	12.91	12.83
of which : Capital Conservation Buffer (%)	2.50	2.50
of which : Countercyclical Buffer (%)	N/A	N/A
of which : Capital Surcharge on D- SIBs (%)	1.50	1.50
Total Tier 1 Capital Ratio (%)	14.25	14.13
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer and Surcharge on D- SIBs) (%)	17.77	17.59
of which : Capital Conservation Buffer (%)	2.50	2.50
of which : Countercyclical Buffer (%)	N/A	N/A
of which : Capital Surcharge on D- SIBs (%)	1.50	1.50

Computation of Leverage Ratio as at 31.12.2021

Item	Bank LKR '000	Group LKR '000
Tier 1 Capital	194,887,824	200,644,819
Total Exposures	4,163,551,295	4,211,875,382
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	3,790,236,743	3,837,071,742
Derivative Exposures	3,246,486	3,246,486
Securities Financing Transaction Exposures	171,124,854	172,613,942
Other Off- Balance Sheet Exposures	198,943,213	198,943,213
Basel III Leverage Ratio (%) (Tier 1 Capital/ Total Exposure)	4.68	4.76

Net Stable Funding Ratio (NSFR) (Bank only)

Item	31.12.2021 LKR'000	31.12.2020 LKR'000
Total Available Stable Funding	2,504,060,279	2,186,814,087
Required Stable Funding - On Balance Sheet Assets	1,994,714,253	1,652,394,020
Required Stable Funding - Off Balance Sheet Assets	19,716,966	14,220,143
Total Required Stable Funding	2,014,431,219	1,666,614,164
NSFR (%)	124	131

Basel III Computation of Liquidity Coverage Ratio -All Currency (Bank Only)

Item	Total Un-Weighted Value LKR '000	Total Weighted Value LKR '000	Total Un-Weighted Value LKR '000	Total Weighted Value LKR '000
Total Stock of High - Quality Liquid Asset (HQLA)	531,095,154	531,095,154	526,041,060	526,041,060
Total Adjusted Level I Assets	492,156,944	492,156,944	488,620,570	488,620,570
Level 1 Assets	488,050,163	488,050,163	483,369,807	483,369,807
Total Adjusted Level 2A Assets	48,714,935	41,407,695	48,074,816	40,863,594
Level 2A Assets	48,714,935	41,407,695	48,074,816	40,863,594
Total Adjusted Level 2B Assets	3,274,592	1,637,296	3,615,319	1,807,660
Level 2B Assets	3,274,592	1,637,296	3,615,319	1,807,660
Total Cash Outflows	3,401,856,760	535,682,254	2,971,236,389	446,323,071
Deposits	2,101,279,219	210,127,922	1,938,165,827	193,816,583
Unsecured Wholesale Funding	650,380,229	289,029,451	509,999,980	223,439,248
Secured Funding Transactions	45,553,081	-	46,325,689	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	604,644,230	36,524,881	476,744,893	29,067,241
Additional Requirements	-	-	-	-
Total Cash Inflows	112,949,640	59,133,469	138,824,216	62,258,492
Maturing Secured Lending Transaction Backed by Collateral	-	-	2,000,000	-
Committed Facilities	5,000,000	-	5,000,000	-
Other Inflows by Counterparty which are Maturing Within 30 Days	107,405,810	58,589,639	92,215,434	61,816,854
Operational Deposits	-	-	39,167,144	-
Other Cash Inflows	543,830	543,830	441,638	441,638
Liquidity Coverage Ratio (%) (Stock of High quality Liquid Assets/ Total Net Cash Outflows over the Next 30 Calender Days)*100		111.45		136.97

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	LK0357D20454	LK0357D20470	LK0357D22542	LK0357D22559	LK0357D23177
Governing Laws of the Instrument	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka
Original Date of Issuance	25-Oct-13	25-Oct-13	22-Sep-14	22-Sep-14	6-Oct-15
Par Value of Instrument - LKR	100	100	100	100	100
Issued quantity (No of Debentures)	12,000,000	16,000,000	18,334,950	300	11,802,560
Issued Quantity (LKR '000)	1,200,000	1,600,000	1,833,495	30	1,180,256
Perpetual or Dated					
Original Maturity Date, if Applicable	24-Oct-22	24-Oct-23	21-Sep-22	21-Sep-22	5-Oct-23
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	180,000	560,000	183,350	3	354,077
Accounting Classification (Equity/ Liability)	Liability	Liability	Liability	Liability	Liability
Coupons/ Dividends					
Fixed or Floting Dividend/ Coupon	FIXED	FIXED	FIXED	FLOATING	FIXED
Coupon Rate and any Related Index (%)	13.25	13.75	8.25	6.45	9.50
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

CAPITAL ADEQUACY

Main features of the 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	LK0357D23219	LK0357D23771	LK0357D23789		
Governing Laws of the Instrument	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka
Original Date of Issuance	6-Oct-15	29-Dec-16	29-Dec-16	29-Dec-17	29-Dec-17
Par Value of Instrument - LKR	100	100	100	100	100
Issued quantity (No of Debentures)	20,405,480	7,836	200	50,000,000	10,000,000
Issued Quantity (LKR '000)	2,040,548	784	20	5,000,000	1,000,000
Perpetual or Dated					
Original Maturity Date, if Applicable	5-Oct-23	28-Dec-24	28-Dec-24	28-Dec-25	28-Dec-22
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	612,164	431	11	3,750,000	150,000
Accounting Classification (Equity/ Liability)	Liability	Liability	Liability	Liability	Liability
Coupons/ Dividends					
Fixed or Floating Dividend/ Coupon	FLOATING	FIXED	FLOATING	FIXED	FIXED
Coupon Rate and any Related Index (%)	6.35	12.75	9.35	12.75	12.50
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

Main features of the 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					
Governing Laws of the Instrument	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka
Original Date of Issuance	31-Jul-18	3-Dec-18	27-Jun-19	17-Jul-19	18-Jul-19
Par Value of Instrument - LKR	100	100	100	100	100
Issued quantity (No of Debentures)	67,000,000	53,000,000	30,000,000	10,488,500	22,000,000
Issued Quantity (LKR '000)	6,700,000	5,300,000	3,000,000	1,048,850	2,200,000
Perpetual or Dated				Dated	Dated
Original Maturity Date, if Applicable	30-Jul-26	2-Dec-23	26-Jun-24	16-Jul-24	17-Jul-24
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	5,695,000	1,855,000	1,350,000	524,425	1,100,000
Accounting Classification (Equity/ Liability)	Liability	Liability	Liability	Liability	Liability
Coupons/ Dividends					
Fixed or Floating Dividend/ Coupon	FIXED	FIXED	FIXED	FIXED	FIXED
Coupon Rate and any Related Index %	12.00	12.00	11.75	11.80	11.80
Non-Cumulative or Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative
Convertible or Non-Convertible	Non Convertible	Non Convertible	Non Convertible	Non Viability write down	Non Viability write down

Main features of the Regulatory Capital Instruments

Description of the Capital Instrument

Issuer	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon
Unique Identifier				
Governing Laws of the Instrument	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka
Original Date of Issuance	23-Jul-19	24-Jul-19	26-Jul-19	22-Nov-21
Par Value of Instrument - LKR	100	100	100	100
Issued quantity (No of Debentures)	25,000,000	4,000,000	611,500	51,500,000
Issued Quantity (LKR '000)	2,500,000	400,000	61,150	5,150,000
Perpetual or Dated	Dated	Dated	Dated	Dated
Original Maturity Date, if Applicable	22-Jul-24	23-Jul-24	25-Jul-27	21-Nov-26
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	1,250,000	200,000	61,150	5,150,000
Accounting Classification (Equity/ Liability)	Liability	Liability	Liability	Liability
Coupons/ Dividends				
Fixed or Floating Dividend/ Coupon	FIXED	FIXED	FIXED	FLOATING
Coupon Rate and any Related Index (%)	11.80	11.50	11.75	10.53
Non-Cumulative or 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

Credit Risk Under Standardised Approach

Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects -Bank

Asset Class	Amount (LKR '000) as at 31.12.2021					
	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	1,761,607,970	21,240,980	1,761,607,970	4,248,196	30,791,323	1.74
Claims on Foreign Sovereigns and their Central Bank	35,523,585	-	35,523,585	-	33,465,761	94.21
Claims on Public Sector Entities	565,903,509	146,917,471	76,685,015	26,979,854	92,256,869	89.00
Claim on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	54,789,037	36,700,442	54,789,037	36,700,442	47,852,745	52.30
Claims on Financial Institutions	7,547,947	-	7,547,947	-	4,236,518	56.13
Claims on Corporates	304,081,591	249,680,883	255,848,386	52,619,052	291,407,582	94.47
Retail Claims	669,297,177	230,154,148	611,322,486	-	458,081,134	74.93
Claims Secured by Gold	77,586,860	-	77,586,860	-	4,067,584	5.24
Claims Secured by Residential Property	90,077,851	-	90,077,851	-	43,820,998	48.65
Claims secured by Commercial Real Estate	43,737,445	-	43,737,445	-	43,737,445	100.00
Non-Performing Assets (NPAs)	38,163,620	-	38,163,620	-	44,842,289	117.50
Higher-risk Categories	1,810,823	-	1,810,823	-	4,527,058	250.00
Cash Items and Other Assets	136,405,278	54,086,315	136,405,278	54,086,315	136,320,886	71.56
Total	3,786,532,693	738,780,238	3,191,106,303	174,633,859	1,235,408,190	36.71

CAPITAL ADEQUACY

Credit Risk Under Standardised Approach

Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects - Group

Amount (LKR '000) as at 31.12.2021

Asset Class	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures Post CCF and CRM		RWA and RWA Density (%)	
	On Balance Sheet Amount	Off Balance Sheet Amount	On Balance Sheet Amount	Off Balance Sheet Amount	RWA	RWA Density (%)
Claims on Central Government and CBSL	1,767,498,205	21,240,980	1,767,498,205	4,248,196	30,791,323	1.74
Claims on Foreign Sovereigns and their Central Bank	35,523,585	-	35,523,585	-	33,465,761	94.21
Claims on Public Sector Entities	571,912,609	146,917,471	76,685,015	38,379,279	103,656,295	90.09
Claim on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	55,187,538	36,700,442	55,187,538	36,700,442	48,251,246	52.51
Claims on Financial Institutions	7,547,947	-	7,547,947	-	4,245,413	56.25
Claims on Corporates	327,321,884	249,680,883	279,088,679	52,619,052	314,647,875	94.86
Retail Claims	669,297,177	230,154,148	611,322,486	-	458,081,134	74.93
Claims Secured by Gold	77,586,860	-	77,586,860	-	4,067,584	5.24
Claims Secured by Residential Property	90,077,851	-	90,077,851	-	43,820,998	48.65
Claims secured by Commercial Real Estate	43,737,445	-	43,737,445	-	43,737,445	100.00
Non-Performing Assets (NPAs)	38,163,620	-	38,163,620	-	44,842,289	117.50
Higher-risk Categories	1,668,267	-	1,668,267	-	4,170,668	250.00
Cash Items and Other Assets	150,116,991	54,086,315	150,116,991	54,086,315	149,729,274	73.32
Total	3,835,639,980	738,780,238	3,234,204,489	186,033,284	1,283,507,303	37.53

Credit Risk under Standardised Approach : Exposures by Asset Classes and Risk Weights - Bank

Description	Risk Weight	Amount (LKR '000) as at 31.12.2021 (Post CCF and CRM)								Total Credit Exposures Amount
		0%	20%	50%	60%	75%	100%	150%	>150%	
Asset Class										
Claims on Central Government and Central Bank of Sri Lanka		1,456,431,222	305,176,747							1,761,607,970
Claims on Foreign Sovereigns and their Central Bank				4,115,648		31,407,936.76				35,523,585
Claims on public Sector Entities			14,260,000			62,425,015.30				76,685,015
Claims on Official Entities and Multilateral Development Banks										-
Claims on Banks Exposures			29,587,208	2,200,430		23,001,399.15				54,789,037
Claims on Financial Institutions			580,133	6,078,030		506,400.00		383,384		7,547,947
Claims on Corporates			14,179,378	8,848,762		232,288,572.05		531,674		255,848,386
Retail Claims					6,899,965	601,925,463	2,497,057.55			611,322,486
Claims Secured by Gold		57,254,147	20,331,411			1,301.33				77,586,860
Claims Secured by Residential Property				71,164,390		18,913,461.72				90,077,851
Claims secured by Commercial Real Estate						43,737,445.48				43,737,445
Non-Performing Assets (NPAs)						24,806,282.79		13,357,338		38,163,620
Higher-risk Categories									1,810,823	1,810,823
Cash Item and Other Assets		47,890,755	7,849,940			80,664,582.55				136,405,278
Total		1,561,576,125	391,964,818	92,407,259	6,899,965	601,925,463	520,249,454.68	14,272,396	1,810,823	3,191,106,303

Credit Risk under Standardised Approach : Exposures by Asset Classes and Risk Weights - Group

Description	Risk Weight	Amount (LKR '000) as at 31.12.2021 (Post CCF and CRM)								Total Credit Exposures Amount
		0%	20%	50%	60%	75%	100%	150%	>150%	
Asset Class										
Claims on Central Government and Central Bank of Sri Lanka		1,462,321,457	305,176,747							1,767,498,205
Claims on Foreign Sovereigns and their Central Bank				4,115,648		31,407,936.76				35,523,585
Claims on public Sector Entities			14,260,000			62,425,015.30				76,685,015
Claims on Official Entities and Multilateral Development Banks										-
Claims on Banks Exposures			29,587,208	2,200,430		23,399,900.15				55,187,538
Claims on Financial Institutions			580,133	6,078,030		506,400.00		383,384		7,547,947
Claims on Corporates			14,179,378	8,848,762		255,528,865.05		531,674		279,088,679
Retail Claims					6,899,965	601,925,463	2,497,057.55			611,322,486
Claims Secured by Gold		57,254,147	20,331,411			1,301.33				77,586,860
Claims Secured by Residential Property				71,164,390		18,913,461.72				90,077,851
Claims secured by Commercial Real Estate						43,737,445.48				43,737,445
Non-Performing Assets (NPAs)						24,806,282.79		13,357,338		38,163,620
Higher-risk Categories									1,668,267	1,668,267
Cash Item and Other Assets		48,194,080	7,849,940			94,072,970.55				150,116,991
Total		1,567,769,685	391,964,818	92,407,259	6,899,965	601,925,463	557,296,636.68	14,272,396	1,668,267	3,234,204,489

CAPITAL ADEQUACY

Market Risk under Standardised Measurement Method

Item	31.12.2021	
	Bank (LKR '000)	Group (LKR '000)
(a) Capital Charge for Interest Rate Risk	501,518	501,518
General Interest Rate Risk	501,518	501,518
(i) Net Long or Short Position	501,518	501,518
(ii) Horizontal Disallowance	-	-
(iii) Vertical Disallowance	-	-
(iv) Options	-	-
Specific Interest Rate Risk	-	-
(b) Capital Charge for Equity	722,548	722,548
(i) General Equity Risk	340,796	340,796
(ii) Specific Equity Risk	381,751	381,751
(c) Capital Charge for Foreign Exchange and Gold	1,097,107	1,097,466
Total Capital Charge for Market Risk [(a)+(b)+(c)]	2,321,172	2,321,532
Total Risk Weighted Amount for Market Risk	16,579,803	16,582,372

Operational Risk under Basic Indicator Approach - Bank

Business Lines	Capital Charge Factor	Fixed Factor	Gross Income (LKR '000) as at 31.12.2021		
			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		88,071,593	94,663,889	140,313,204
Capital Charges for Operational Risk (LKR '000)					16,152,434
Risk Weighted Amount for Operational Risk (LKR '000)					115,374,531

Operational Risk under Basic Indicator Approach - Group

Business Lines	Capital Charge Factor	Fixed Factor	Gross Income (LKR '000) as at 31.12.2021		
			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		94,498,600	97,518,878	145,112,559
Capital Charges for Operational Risk (LKR '000)					16,856,502
Risk Weighted Amount for Operational Risk (LKR '000)					120,403,585

Differences between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories - Bank only

Item	Amount (LKR '000) as at 31.12.2021				
	a	b	c	d	e
	Carrying Values Reported in Published Financial Statement	Carrying Values under Scope of Regulatory Reporting	Subject to Credit Risk Framework	Subject to Market Risk Framework	Not subject to Capital Requirements or Subject to Deduction from Capital
Assets	3,803,283,843	3,837,475,681	3,826,381,571	17,565,953	6,751,579
Cash and Cash Equivalents	82,647,406	82,161,429	82,161,429	71,033	-
Balances with Central Bank	74,121,781	76,520,060	76,520,060	-	-
Placements with Banks	4,957,417	7,594,893	7,594,893	-	-
Securities purchased under resale agreements	2,074,474	-	-	-	-
Derivative financial instruments	4,342,531	4,342,531	-	-	-
Financial assets recognised through profit or loss measured at fair value	9,230,022	6,845,750	6,836,920	5,000,661	8,830
Financial assets at amortised cost		-	-	-	-
Loans and advances	2,413,762,291	2,435,483,590	2,435,483,590	-	-
Debt and other instruments	1,082,179,876	1,055,507,493	1,055,333,096	-	174,397
Financial assets - measured at fair value through other comprehensive income	18,302,556	17,913,393	17,773,583	12,494,259	139,811
Investments in subsidiaries	8,181,138	8,156,138	3,760,329	-	4,395,809
Investments in associates and joint ventures	92,988	117,988	117,988	-	-
Property, Plant and Equipment	32,757,485	35,984,661	35,984,661	-	-
Investment properties	2,414,640	2,414,640	2,414,640	-	-
Right of Use Asset	3,137,955				
Goodwill and intangible assets	1,039,985	965,939		-	965,939
Deferred tax assets	2,152,712	1,066,793	-	-	1,066,793
Other assets	61,888,586	102,400,381	102,400,381	-	-
On Balance Sheet Liabilities	3,602,524,011	3,630,570,184	-	-	-
Due to banks	17,936,070	54,823,675	-	-	-
Derivative financial instruments	380,328	-	-	-	-
Securities sold under resale agreements	162,156,413	413,518,210	-	-	-
Financial liabilities at amortised cost					
- Due to depositors	2,866,894,010	2,818,550,000	-	-	-
- Due to other borrowers	444,107,977	152,031,710	-	-	-
Debt securities issued	-	-	-	-	-
Current tax liabilities	647,993	38,589,571	-	-	-
Deferred tax liabilities	-	-	-	-	-
Other provisions	-	-	-	-	-
Other liabilities	46,042,365	90,241,886	-	-	-
Subordinated term debts	64,358,855	62,815,133	-	-	-
Shareholder's Equity					
Equity capital (Stated capital)/ Assigned capital					
of which amount eligible for CET 1	25,000,000	25,000,000	-	-	-
of which amount eligible for AT1	-	-	-	-	-
Retained earnings	136,739,177	147,481,549	-	-	-
Cashflow hedge reserve	3,239,266	-	-	-	-
Accumulated other comprehensive income	588,427	(789,194)	-	-	-
Other reserves	35,192,962	35,213,141	-	-	-
Total shareholder's equity	200,759,832	206,905,496	-	-	-
Total on - balance sheet liabilities and equity capital and reserves	3,803,283,843	3,837,475,681	-	-	-

CAPITAL ADEQUACY

	D-SIB Assessment Exercise	LKR million Group
Size Indicator		
Section 1 - Total Exposures		
Total exposures measure		4,211,875
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		105,939
(ii) Lending		17,192
b. Holdings of securities issued by other financial institutions		3,032
c. Net positive current exposure of securities financing transactions (SFTs) with other financial institutions		444
d. Over-the-counter (OTC) derivatives with other financial institutions that have a net positive mark to market value		739
Intra-financial system assets		127,346
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		90,279
(ii) Borrowings		421,934
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		4,029
Intra-financial system liabilities		516,242
Section 4 - Securities Outstanding		
Securities outstanding		62,815
Substitutability/ Financial Institution Infrastructure Indicators		
Section 5 - Payments made in the reporting year (excluding intragroup paym		
Payments activity		13,888,195
Section 6 - Assets Under Custody		
Assets under custody		-
Section 7 - Underwritten Transactions in Debt and Equity Markets		
Underwriting activity		-
Section 8 - Trading Volume		
Trading volume		268,851
Complexity Indicators		
Section 9 - Notional Amount of Over-the-Counter (OTC) Derivatives		
OTC derivatives		112,339
Section 10 - Level 2 Assets		
Level 2 assets		49
Section 11 - Trading and available for sale (AFS) securities		
Trading and AFS securities		14,768
Section 12 - Cross-Jurisdictional Liabilities		
Foreign Liabilities (excluding derivatives and intragroup liabilities)		
Cross-jurisdictional liabilities		180,506
Section 13 - Cross-Jurisdictional Claims		
Foreign claims (excluding derivatives and intragroup liabilities)		
Cross-jurisdictional claims		25,271

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GRI 101: Foundation 2016 (does not include any disclosures)			
General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of the Organisation	About This Report	2
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	102-11 Precautionary principle or approach	About This Report	2
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103 Management Approach			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Material Issues	39-40
	103-2 The Management Approach and its components	Stakeholder Outcomes	62-80
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GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Economic Value Added	34
	201-2 Financial implications and other risks and opportunities due climate change	Risk Management	112
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GRI 203: Indirect Economic Impacts 2016	203-2: Significant indirect economic impacts	Our Economic Impact	35
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	207-3 Stakeholder engagement and management of concerns related to tax	Annual Report of the Directors on the State of Affairs of Bank of Ceylon, Notes to the Financial Statements	115, 166
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300 Environmental Performance			
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	302-4 Reduction of energy consumption	Country and Community	76
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	305-2 Energy Indirect (scope 2) Greenhouse Gas (GHG) emissions	Non Financial Highlight	9
	305-4 GHG emission intensity	Embedding Sustainability	51
GRI 307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	About This Report	2
400 Social Performance			
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	403-8 Workers covered by an occupational health and safety management system	Employees	70
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GRI 409: Forced or Compulsory labour	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	Business Partners	78
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	Country and Community	74
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GRI 418: Customer Privacy 2016	418-1 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Customers	67
GRI 419: Socio Economic Compliance	419-1 Non - Compliance with laws and regulations in the social and economic era	Annual Report of the Directors on the State of Affairs of Bank of Ceylon	118

INDEPENDENT ASSURANCE REPORT- SUSTAINABILITY



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INDEPENDENT ASSURANCE REPORT TO BANK OF CEYLON

We have been engaged by the Directors of Bank of Ceylon (“the Bank”) to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 December 2021. The Sustainability Indicators are included in the Bank of Ceylon’s Integrated Annual Report for the year ended 31 December 2021 (the “Report”).

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators as per statutory Financial Statements (Audited) for the Year Ended 31 December 2021, dated 24 February 2022 and the Audit Report dated 28 February 2022 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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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, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 December 2021 are, in all material respects, prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Limited Assurance Sustainability Indicators

Based on the limited assurance procedures performed and the evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 December 2021, have not in all material respects, been prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Management’s Responsibility

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

These responsibilities include establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Bank complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

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Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, W. A. A. Weerasekara CFA, ACMA, MRICS

INDEPENDENT ASSURANCE REPORT - SUSTAINABILITY



Our responsibility

Our responsibility is to express a reasonable assurance conclusion on the Bank's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

Reasonable assurance over Reasonable Assurance Sustainability Indicators

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Bank's internal control over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines, used by the Bank in

preparing and presenting the Reasonable Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Bank, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

Limited assurance on the Assured Sustainability Indicators

Our limited assurance engagement on the Limited Assurance Sustainability Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of management to gain an understanding of the Bank's processes for determining material issues for the Bank's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Bank;
- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Bank for the purpose of assisting the Directors in determining whether the Bank's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines and for no other purpose or in any other context.

Restriction of use of our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Bank, for any purpose or in any other context. Any party other than the Bank who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Bank for our work, for this independent assurance report, or for the conclusions we have reached.

CHARTERED ACCOUNTANTS
Colombo

07 March 2022

STATEMENT OF PROFIT OR LOSS IN USD

For the year ended 31 December	Bank		Group	
	2021 USD '000	2020 USD '000	2021 USD '000	2020 USD '000
Total income	1,448,670	1,325,929	1,484,884	1,355,928
Interest income	1,299,748	1,214,059	1,329,941	1,241,654
Less : Interest expenses	744,692	812,919	756,237	827,492
Net interest income	555,056	401,140	573,704	414,162
Fee and commission income	88,056	76,505	89,463	77,791
Less : Fee and commission expenses	17,312	12,350	17,505	12,468
Net fee and commission income	70,744	64,155	71,958	65,323
Net gains / (losses) from trading	23,661	14,096	24,013	14,181
Net fair value gains / (losses) from financial instruments at fair value through profit or loss	6,721	4,980	6,531	5,319
Net gains / (losses) from derecognition of financial assets	1,965	2,589	2,327	2,645
Net other operating income	28,519	13,700	32,609	14,338
Total operating income	686,666	500,660	711,142	515,968
Less : Impairment charge / (reversal) for loans and other losses	218,196	167,547	217,838	171,838
Net operating income	468,470	333,113	493,304	344,130
Less : Operating expenses				
Personnel expenses	124,639	97,584	134,335	107,563
Depreciation and amortisation expenses	20,686	22,824	21,152	23,557
Other expenses	62,627	57,077	69,184	64,804
Total operating expenses	207,952	177,485	224,671	195,924
Operating profit / (loss) before Taxes on financial services	260,518	155,628	268,633	148,206
Less : Taxes on financial services	45,038	29,282	46,598	29,307
Operating profit / (loss) after Taxes on financial services	215,480	126,346	222,035	118,899
Share of profits / (losses) of associate companies, net of tax	-	-	667	442
Profit / (loss) before income tax	215,480	126,346	222,702	119,341
Less : Income tax expense	27,936	31,044	29,704	31,859
Profit / (loss) for the year	187,544	95,302	192,998	87,482
Profit attributable to :				
Equity holder of the Bank	187,544	95,302	192,035	90,353
Non-controlling interest	-	-	963	(2,871)
Profit / (Loss) for the year	187,544	95,302	192,998	87,482
Earnings per share and Dividend per share				
Basic earnings per share (USD)	7.50	3.81	7.68	3.61
Diluted earnings per share (USD)	7.50	3.81	7.68	3.61
Dividend per share (USD)	0.37	0.34	0.37	0.34

Exchange rate of 1 USD was LKR 200.4338 as at 31 December 2021 (LKR 186.4082 as at 31 December 2020).

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	
	2021 USD '000	2020 USD '000	2021 USD '000	2020 USD '000
Profit / (Loss) for the year	187,544	95,302	192,998	87,482
Items that will be reclassified to the profit or loss				
Exchange differences on translation of foreign operations	3,964	62	5,619	1,251
Net gains / (losses) on cash flow hedge instruments	16,161	-	16,161	-
Net gains / (losses) on investments in debt instruments measured at fair value through other comprehensive income (FVTOCI)	(6,219)	615	(6,269)	736
Net (gains) / losses on investment in financial assets at FVTOCI reclassification to profit or loss	(220)	(19)	(220)	(19)
Deferred tax effect on above	1,604	(107)	1,604	(107)
Share of other comprehensive income of Associate companies, net of tax	-	-	57	(104)
Total items that will be reclassified to the profit or loss	15,290	551	16,952	1,757
Items that will not be reclassified to profit or loss				
Change in fair value on investments in equity instruments measured at fair value through other comprehensive income	(935)	(1,458)	(775)	(4)
Deferred tax effect on above	202	(492)	202	(492)
Gains / (Losses) of derecognition of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-
Changes in revaluation surplus / (deficit)	(1,421)	37,193	1,723	41,705
Deferred tax effect on above	4,885	(10,414)	5,709	(11,677)
Net actuarial gains / (losses) on defined benefit plans	33,774	(51,127)	34,098	(51,408)
Deferred tax effect on above	(10,102)	16,133	(10,180)	16,202
Total items that will not be reclassified to the profit or loss	26,403	(10,165)	30,777	(5,674)
Other comprehensive income for the year, net of tax	41,693	(9,614)	47,729	(3,917)
Total comprehensive income for the year	229,237	85,689	240,727	83,565
Attributable to:				
Equity holder of the Bank	229,237	85,689	239,622	86,235
Non-controlling interest	-	-	1,105	(2,670)
Total comprehensive income for the year	229,237	85,689	240,727	83,565

Exchange rate of 1 USD was LKR 200.4338 as at 31 December 2021 (LKR 186.4082 as at 31 December 2020).

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

As at 31 December	Bank		Group	
	2021 USD '000	2020 USD '000	2021 USD '000	2020 USD '000
Assets				
Cash and cash equivalents	412,343	452,859	410,679	446,324
Balances with Central Banks	369,807	178,918	369,807	178,918
Placements with banks	24,733	148,147	26,654	149,746
Securities purchased under resale agreements	10,350	10,735	14,851	20,505
Derivative financial instruments	21,666	2,945	21,666	2,945
Financial assets recognised through profit or loss - measured at fair value	46,050	52,874	48,100	58,310
Financial assets at amortised cost				
Loans and advances	12,042,691	10,666,961	12,205,179	10,827,816
Debt and other instruments	5,399,189	3,886,042	5,402,470	3,892,423
Financial assets measured at fair value through OCI	91,315	82,413	114,151	96,100
Investment in subsidiary companies	40,817	34,940	-	-
Investment in associate companies	464	499	2,971	2,736
Investment properties	12,047	13,594	537	614
Property, Plant and Equipment	163,433	178,994	234,213	254,381
Right of Use Assets / Leasehold properties	15,656	17,214	14,098	14,182
Intangible assets	5,189	5,477	6,060	6,591
Deferred tax assets	10,740	-	11,045	412
Other assets	308,772	269,801	315,627	274,610
Total assets	18,975,262	16,002,413	19,198,108	16,226,613
Liabilities				
Due to banks	89,486	12,886	93,030	14,100
Securities sold under repurchase agreements	809,027	306,353	806,592	309,524
Derivative financial instruments	1,898	548	1,898	548
Financial liabilities at amortised cost				
Due to depositors	14,303,446	13,276,108	14,399,952	13,374,467
Other borrowings	2,215,734	970,366	2,234,528	992,993
Debt securities issued	-	-	10,513	11,306
Current tax liabilities	3,233	3,174	4,882	4,159
Deferred tax liabilities	-	4,954	10,743	17,734
Insurance provision - Life	-	-	2,064	2,676
Insurance provision - Non life	-	-	2,624	2,622
Other liabilities	229,713	240,862	236,793	243,405
Subordinated liabilities	321,098	346,752	319,836	346,698
Total liabilities	17,973,635	15,162,003	18,123,455	15,320,232
Equity				
Share capital	124,729	134,114	124,729	134,114
Permanent reserve fund	72,298	73,704	72,298	73,704
Retained earnings	682,216	520,277	689,027	522,849
Cash flow hedge reserve	16,161	-	16,161	-
Other reserves	106,223	112,315	164,508	168,913
Total equity attributable to equity holder of the Bank	1,001,627	840,410	1,066,723	899,580
Non-controlling interest	-	-	7,930	6,801
Total equity	1,001,627	840,410	1,074,653	906,381
Total liabilities and equity	18,975,262	16,002,413	19,198,108	16,226,613
Contingent liabilities and commitments	4,387,266	3,113,859	4,479,142	3,218,249
Net assets value per share (USD)	40.07	33.62	42.67	35.98

Exchange rate of 1 USD was LKR 200.4338 as at 31 December 2021 (LKR 186.4082 as at 31 December 2020).

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

	2021				2020			
	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								
Net interest income	23,631	27,851	30,197	29,572	17,825	13,664	20,846	22,441
Non interest income	9,037	5,677	7,212	7,923	5,768	3,573	5,177	6,336
Non interest expense	(10,391)	(9,838)	(10,713)	(14,209)	(8,128)	(8,159)	(9,386)	(9,714)
Impairment (charge) / reversal for loans and other losses	(4,799)	(8,663)	(16,555)	(13,716)	(7,162)	(8,430)	(5,057)	(10,583)
Operating profit before Taxes on Financial Services	17,478	15,027	10,141	9,570	8,303	648	11,580	8,480
Taxes on financial services	(2,680)	(2,689)	(1,712)	(1,946)	(1,456)	(550)	(1,930)	(1,523)
Profit before income tax	14,798	12,338	8,429	7,624	6,847	98	9,650	6,957
Income tax expense	(1,897)	(3,169)	(2,934)	2,401	(1,418)	255	(3,757)	(867)
Profit after income tax	12,901	9,169	5,495	10,025	5,429	353	5,893	6,090
Other comprehensive income	1,106	(2,759)	4,674	5,336	(993)	548	324	(1,671)
Total comprehensive income	14,007	6,410	10,169	15,361	4,436	901	6,217	4,419
Group								
Net interest income	24,586	28,702	31,067	30,635	18,539	14,062	21,289	23,313
Non interest income	9,401	5,580	7,464	8,612	6,167	2,997	5,639	6,500
Non interest expense	(11,253)	(10,480)	(11,451)	(15,359)	(9,431)	(8,496)	(10,561)	(10,358)
Impairment (charge) / reversal for loans and other losses	(4,633)	(8,989)	(16,688)	(13,351)	(7,349)	(8,555)	(4,968)	(11,161)
Operating profit before Taxes on Financial Services	18,101	14,813	10,392	10,537	7,926	8	11,399	8,294
Taxes on financial services	(2,775)	(2,706)	(1,764)	(2,095)	(1,471)	(545)	(1,941)	(1,507)
Operating profit after Taxes on Financial Services	15,326	12,107	8,628	8,442	6,455	(537)	9,458	6,787
Share of profit / (losses) of associate companies, net of tax	52	15	34	32	13	10	2	57
Profit before income tax	15,378	12,122	8,662	8,474	6,468	(527)	9,460	6,844
Income tax expense	(1,987)	(3,148)	(2,968)	2,149	(1,507)	230	(3,769)	(892)
Profit after income tax	13,391	8,974	5,694	10,623	4,961	(297)	5,691	5,952
Other comprehensive income	1,631	(2,699)	4,693	5,942	(1,374)	834	494	(684)
Total comprehensive income	15,022	6,275	10,388	16,565	3,587	537	6,185	5,268

Summary of the Statement of Financial Position

	2021				2020			
	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	772,213	756,824	863,268	1,125,018	638,125	670,038	663,170	785,832
Loans and advances to customers	2,166,063	2,319,605	2,440,904	2,413,762	1,653,326	1,758,794	1,945,362	1,988,409
Property, Plant and Equipment	37,367	36,844	36,358	36,935	29,813	29,508	29,552	37,596
Other assets	169,783	191,355	226,249	227,569	238,067	222,392	179,574	171,144
Total assets	3,145,426	3,304,628	3,566,779	3,803,284	2,559,331	2,680,732	2,817,658	2,982,981
Liabilities and Equity								
Due to customers	2,543,260	2,642,460	2,766,423	2,866,894	2,110,483	2,203,441	2,204,205	2,474,775
Debt securities and borrowed funds	382,009	433,852	564,508	688,559	254,411	287,157	305,629	302,628
Other liabilities	49,664	52,913	50,450	47,071	47,891	42,687	54,583	48,919
Equity	170,493	175,403	185,399	200,760	146,546	147,447	153,241	156,659
Total liabilities and equity	3,145,426	3,304,628	3,566,779	3,803,284	2,559,331	2,680,732	2,817,658	2,982,981
Group								
Assets								
Investments	773,614	757,487	861,927	1,124,272	640,892	669,960	666,610	786,609
Loans and advances to customers	2,197,583	2,471,445	2,349,920	2,446,330	1,682,579	1,788,177	1,976,102	2,018,394
Property, Plant and Equipment	51,017	50,575	50,161	50,984	42,710	42,367	42,442	51,291
Other assets	169,381	189,094	225,043	226,364	237,132	221,158	178,023	168,480
Total assets	3,191,595	3,347,076	3,608,576	3,847,950	2,603,313	2,721,662	2,863,177	3,024,774
Liabilities and Equity								
Due to customers	2,562,629	2,660,452	2,784,999	2,886,237	2,130,205	2,222,854	2,323,721	2,493,110
Debt securities and borrowed funds	391,596	441,157	569,927	694,403	262,069	292,482	315,338	309,535
Other liabilities	53,642	56,975	54,828	51,914	52,547	47,312	59,342	53,172
Equity	182,370	187,187	197,387	213,807	156,878	157,489	163,321	167,689
Non controlling interest	1,358	1,305	1,435	1,589	1,614	1,525	1,455	1,268
Total liabilities and equity	3,191,595	3,347,076	3,608,576	3,847,950	2,603,313	2,721,662	2,863,177	3,024,774

QUARTERLY PERFORMANCE

Summary of the Key Performance Indicators

	2021				2020			
	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec
Bank								
Profitability								
Interest margin (%)	3.1	3.3	3.3	3.3	2.9	2.5	2.7	2.8
Return on average assets (before tax) (%)	1.9	1.7	1.5	1.3	1.1	0.6	0.9	0.9
Return on average equity (after tax) (%)	31.6	26.6	21.5	21.0	15.0	8.0	10.5	11.9
Investor Information								
Interest cover (times)	5.0	4.4	3.5	2.9	2.8	1.9	2.4	2.5
Net assets value per share (LKR)	6,820	7,016	7,416	8,030	5,862	5,898	6,130	6,266
Capital Adequacy Ratio								
Common equity Tier I capital ratio, (%)	9.9	10.4	10.5	12.9	11.1	10.6	10.0	10.1
Total Tier I capital, (%)	11.1	11.5	11.7	14.3	11.1	10.6	10.4	11.2
Total capital ratio, (%)	14.6	15.0	15.0	17.8	15.4	14.7	14.0	14.9
Assets Quality								
Gross non - performing advances ratio (%) (Net of interest in suspense)	4.4	4.7	4.5	4.5	5.2	5.4	5.0	4.8
Net non - performing advances ratio (%) (Net of interest in suspense and provisions)	1.1	1.4	1.1	0.4	2.1	2.1	1.7	1.4
Regulatory Liquidity								
Statutory liquid assets ratio								
- Domestic banking unit (%)	29.0	26.2	22.1	25.0	27.7	31.3	29.0	26.6
- Off shore banking unit (%)	29.9	27.4	24.5	25.3	22.4	21.4	27.6	29.5
Group								
Profitability								
Interest margin (%)	3.2	3.4	3.4	3.4	2.9	2.5	2.7	2.8
Return on average assets (before tax) (%)	1.9	1.7	1.5	1.3	1.0	0.5	0.8	0.8
Return on average equity (after tax) (%)	30.4	25.0	20.4	20.1	12.9	6.1	8.7	10.1
Investor Information								
Net assets value per share (LKR)	7,295	7,487	7,895	8,552	6,275	6,300	6,533	6,708
Capital Adequacy Ratio								
Common equity Tier I capital ratio, (%)	10.1	10.5	10.7	12.8	11.3	10.9	10.3	10.2
Total Tier I capital ratio, (%)	11.2	11.5	11.9	14.1	11.3	10.9	10.7	11.3
Total capital ratio, (%)	14.6	15.0	15.1	17.6	15.5	15.0	14.2	14.9

SHARE AND DEBENTURE INFORMATION

Share Information

As at 31 December	2021		2020	
Shareholder	No. of ordinary shares	Holding %	No. of ordinary shares	Holding %
Government of Sri Lanka	25,000,000	100	25,000,000	100

Debenture Information

The Bank has issued the following debt securities which are listed on Colombo Stock Exchange (CSE).

Unsecured, Subordinated, Redeemable Debentures (par value LKR 100)	Tenor (Years)	Interest Payable Frequency	Interest Rate (per annum)
October 2013 / 2023 series	9	Annually	13.25%
	10	Annually	13.75%
September 2014 / 2022 series	8	Annually	8.25%
	8	Semi annually	6 months TB (gross) rate plus 50 basis points
October 2015 / 2023 series	8	Annually	9.50%
	8	Semi annually	6 months TB (gross) rate plus 125 basis points
December 2016 / 2024 series	8	Annually	12.75%
	8	Semi annually	6 months TB (gross) rate plus 125 basis points

Trading Information on Listed Debenture

The debentures that have been traded during the year ended 2021 and 2020 are as follows;

	2021					2020				
	Highest	Lowest	Last traded	Interest yield *	Yield to maturity	Highest	Lowest	Last traded	Interest yield *	Yield to maturity
	LKR	LKR	LKR	%	%	LKR	LKR	LKR	%	%
BoC Debentures 2013/2023										
Unsecured, subordinated, redeemable, 8 years, fixed rate (13.25%)	N/T	N/T	N/T	N/T	N/T	100	100	100	13.24	13.25
BoC Debentures 2016/2024,										
Unsecured, subordinated, redeemable, 5 years, fixed rate (13.25%)	N/T	N/T	N/T	N/T	N/T	101	101	101	12.6	12.67
BoC Debentures 2016/2024,										
Unsecured, subordinated, redeemable, 5 years, floating rate 06 months TB rate (Gross) plus 125 basis points	N/T	N/T	N/T	N/T	N/T	98	98	98	11.99	11.92

* As the date of last trade done

N/T - Not Traded

TEN YEAR STATISTICAL SUMMARY – BANK

For the year ended 31 December	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million
Operating results										
Income	110,138	127,464	126,546	131,502	154,121	189,211	221,021	239,116	247,164	290,362
Interest income	95,022	114,863	107,395	112,745	134,685	171,344	195,394	220,477	226,311	260,513
Interest expenses	(59,701)	(77,720)	(68,945)	(66,419)	(80,728)	(112,988)	(129,836)	(145,331)	(151,535)	(149,261)
Net interest income	35,321	37,143	38,450	46,326	53,957	58,356	65,558	75,146	74,776	111,252
Other operating income	15,116	12,601	19,151	18,756	19,437	17,868	25,627	18,640	20,853	29,849
Other operating expenses	(27,428)	(31,324)	(33,258)	(34,987)	(35,940)	(38,632)	(48,181)	(53,580)	(66,619)	(88,885)
Operating profit before Taxes on financial services	23,009	18,420	24,343	30,095	37,454	37,592	43,004	40,206	29,010	52,216
Taxes on financial services	(3,214)	(2,711)	(4,052)	(4,816)	(6,265)	(7,249)	(9,588)	(10,521)	(5,458)	(9,027)
Profit before income tax	19,795	15,709	20,291	25,279	31,189	30,343	33,416	29,685	23,552	43,189
Income tax expense	(5,378)	(3,622)	(6,717)	(7,922)	(6,398)	(9,031)	(12,413)	(6,587)	(5,787)	(5,599)
Pofit for the year	14,417	12,087	13,574	17,357	24,791	21,312	21,003	23,098	17,765	37,590
As at 31 December										
	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	31,545	24,901	35,583	79,917	67,706	72,843	78,447	64,869	84,417	82,647
Balances with Central Banks	29,963	28,699	30,422	38,940	56,388	68,689	65,680	54,594	33,352	74,122
Placements with banks	19,394	19,315	13,349	27,976	11,675	8,067	40,450	44,476	27,616	4,957
Loans and advances to customers	691,899	725,332	741,348	826,790	1,000,082	1,163,161	1,429,107	1,549,805	1,988,409	2,413,762
Other financial assets	239,089	335,455	438,554	522,762	461,193	567,778	579,023	599,352	752,159	1,116,130
Investments in subsidiaries and associates	7,636	7,672	7,056	7,056	6,306	6,606	6,606	6,606	6,606	8,274
Investment properties	-	-	-	-	3,000	2,883	2,766	2,649	2,534	2,415
Property, Plant and Equipment	11,516	12,089	16,296	16,431	15,584	23,148	24,277	29,059	36,575	35,895
Intangible assets	376	501	385	373	563	811	1,238	1,127	1,021	1,040
Other assets	16,803	39,617	46,027	48,044	46,794	37,818	57,237	62,580	50,292	64,042
Total assets	1,048,221	1,193,581	1,329,020	1,568,289	1,669,291	1,951,804	2,284,831	2,415,117	2,982,981	3,803,284
Liabilities										
Due to banks	10,128	1,166	890	2,630	2,042	2,203	2,402	2,669	2,402	17,936
Due to customers	693,441	842,070	933,966	1,082,337	1,256,589	1,546,832	1,770,975	2,005,212	2,474,775	2,866,894
Debt securities issued and Subordinated term debts	47,114	45,326	53,282	39,055	42,072	42,570	50,827	54,222	64,637	64,359
Other borrowings	233,795	235,370	246,736	337,442	254,895	222,679	299,192	172,017	237,991	606,264
Current tax liabilities	2,208	-	-	2,081	-	1,877	3,922	-	592	648
Other liabilities	10,582	11,949	19,340	23,259	20,843	24,488	25,343	38,714	45,925	46,423
Total liabilities	997,268	1,135,881	1,254,214	1,486,804	1,576,441	1,840,649	2,152,661	2,272,834	2,826,322	3,602,524
Equity										
Share capital	5,000	5,000	10,000	10,000	15,000	20,000	25,000	25,000	25,000	25,000
Permanent reserve fund	3,286	3,538	3,810	5,210	7,996	10,427	12,890	13,383	13,739	14,491
Retained earnings	27,639	31,419	44,861	51,086	54,155	63,472	78,062	87,689	96,984	136,739
Other reserves	15,028	17,743	16,135	15,189	15,699	17,256	16,218	16,211	20,936	24,530
Total equity	50,953	57,700	74,806	81,485	92,850	111,155	132,170	142,283	156,659	200,760
Total liabilities and equity	1,048,221	1,193,581	1,329,020	1,568,289	1,669,291	1,951,804	2,284,831	2,415,117	2,982,981	3,803,284
Contingent liabilities and commitments	455,181	655,441	721,763	696,857	547,399	496,477	508,307	508,218	580,449	879,356

As at 31 December	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	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 (%)	2.1	1.4	1.6	1.7	1.9	1.7	1.6	1.3	0.9	1.3
Return on average equity (%)	31.2	22.2	20.5	22.2	28.4	20.9	17.3	16.8	11.9	21.0
Income growth (%)	56.3	15.7	(0.7)	3.9	17.2	22.8	16.8	8.2	3.4	17.5
Capital adequacy ratio (%) *										
- Tier I	8.3	8.4	9.5	9.1	8.7	10.8	10.3	11.2	11.2	14.3
- Total (Tier I + Tier II)	11.5	12.1	13.6	13.1	12.3	14.6	14.6	15.6	14.9	17.8
Capital funds to liabilities including contingent liabilities (%)	3.5	3.2	3.8	3.7	4.4	4.8	5.0	5.1	4.6	4.5
Liquidity ratio - domestic (%)	21.8	27.7	30.8	28.2	21.6	27.2	24.5	24.6	26.6	25.0
Cost to income ratio (%)	42.7	49.1	44.0	44.7	43.0	38.4	38.1	37.3	37.0	32.0
Other information										
Number of employees	7,790	8,883	8,577	7,980	7,569	7,587	8,724	8,503	8,479	8,337
Number of branches	324	567	573	578	580	578	577	581	582	581
Number of ATMs, CDMs and CRMs	451	523	540	563	801	932	1,057	1,197	1,130	1,400
Number of advances ('000)	3,363	3,193	2,384	2,146	2,122	2,226	2,606	2,715	2,598	2,396
Number of deposits ('000)	10,955	11,606	12,311	12,322	12,706	13,254	13,421	14,480	15,027	15,287
Cash flow from operating activities	(19,271)	47,051	72,987	127,503	(21,346)	135,039	(25,790)	36,213	95,370	55,027
Cash flow from investing activities	(52,965)	(51,351)	(27,222)	(101,988)	83,642	(56,384)	11,667	25,620	(102,961)	(298,678)
Cash flow from financing activities	89,640	(4,377)	(29,519)	17,982	(73,927)	(73,822)	19,983	(75,901)	28,045	226,463
Capital expenditure on purchase of PPE and Leasehold properties	(1,483)	(1,682)	(1,743)	(1,332)	(2,053)	(3,081)	(3,400)	(3,386)	(2,946)	(1,771)

Note:

* 2017 onwards capital adequacy ratio figures are as per Basel III guidelines issued by the Central Bank of Sri Lanka.

Disclosure in terms of Section 7.6 (xvi) of the Listing Rules of the Colombo Stock Exchange on related party transactions exceeding 10% of the equity or 5% of the total assets of the Bank

The Bank did not carry out any transactions exceeding 10% of the equity or 5% of the total assets of the Bank, whichever is lower, with the related parties given in Note 61 to the Financial Statements, except for the transactions engaged with the Government of Sri Lanka and Government related entities.

The Government of Sri Lanka, who holds 100% shareholding in Bank of Ceylon and Government related entities, carry out transactions with the Bank, in the ordinary course of business and the aggregate

monetary value of these transactions exceeded the threshold given in Section 7.6 (xvi) of the Listing Rules of Colombo Stock Exchange.

These transactions include:

1. Overdraft facility granted to the Deputy Secretary to the Treasury
2. Foreign currency loans granted to the Government of Sri Lanka and State-Owned Enterprises
3. Investment in Sri Lanka Development Bonds, Sovereign Bonds and Restructuring Bonds issued by the Government of Sri Lanka

4. Extending of trade finance credit and other related services to facilitate import transactions of the Government of Sri Lanka and State- Owned Enterprises

5. Deposits made by the Government and Government related entities with the Bank

Most of these transactions are considered as recurrent nature transactions and the outstanding balances as at reporting date are given in Note 61.4 to the Financial Statements.

SUBSIDIARIES AND ASSOCIATES

Subsidiary Companies	Directors	Subsidiary Companies	Directors
Property Development PLC 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	Mr Kanchana Ratwatte <i>Non-Executive Director/ Chairman</i> Ms D G De Silva <i>Non-Executive Director</i> Mr D G R M Kumar <i>Non-Executive Director</i> Representation from Management of BoC Mr W P Russel Fonseka <i>Non-Executive Director</i> Mr Y A Jayathilake <i>Non-Executive Director</i> Mr R B M Gunawardane <i>Non-Executive Director</i> <i>Alternate to Mr W P Russel Fonseka</i> Mr S Sivanjan	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 Kanchana Ratwatte <i>Non-Executive Director/ Chairman</i> Representation from Management of BoC Mr K E D Sumanasiri <i>Non-Executive Director</i> Mr M P Ruwan Kumara <i>Non-Executive Director</i> Mr G A Jayashantha <i>Non-Executive Director</i>
Merchant Bank of Sri Lanka and Finance PLC BoC Merchant Tower, No. 28, St. Michael's Road, Colombo 03. Tel : 011 4711711, 011 2565636 Fax : 011 2565666 e-mail : mbslbank@mbslbank.com Website : www.mbslbank.com	Mr Kanchana Ratwatte <i>Non-Executive Director/ Chairman</i> Mr A M A Perera <i>Non-Executive Senior Director</i> Dr N S Punchihewa <i>Non-Executive Director</i> Mr J D V N Jayasinghe <i>Non-Executive Director</i> Representation from Management of BoC Mr W P Russel Fonseka <i>Non-Executive Director</i> Mr M P Ruwan Kumara <i>Non-Executive Director</i> Mr G A Jayashantha <i>Non-Executive Director</i> Mr H P K Silva <i>Non-Executive Director</i> Mr R M N Jeewantha <i>Non-Executive Director</i>	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 <i>Non-Executive Director/ Chairman</i> Representation from Management of BoC Mr K E D Sumanasiri <i>Non-Executive Director</i> Mr M R N Rohana Kumara <i>Non-Executive Director</i> Mr D S Muthukudaarachchi <i>Non-Executive Director</i>
BOC Management and Support Services (Private) Limited BoC Head Office Building, "BOC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01. Tel : 011 2432680	Mr K E D Sumanasiri <i>Non-Executive Director/Chairman</i> Mr A W R Thushantha <i>Non-Executive Director</i> Mr W N P Surawimala <i>Non-Executive Director</i> <i>(All from BOC Management)</i>	Hotels Colombo (1963) Limited No. 02, York Street, Colombo 01. Tel : 011 2320320, 011 5221100 Fax : 011 2447640 e-mail : info@grandoriental.com Website : www.grandoriental.com	Mr Kanchana Ratwatte <i>Non-Executive Director/ Chairman</i> Representation from Management of BoC Mr K E D Sumanasiri <i>Non-Executive Director</i> Mr YA Jayathilake <i>Non-Executive Director</i> Ms R A R Priyadarshani <i>Non-Executive Director</i>
		Ceybank Holiday Homes (Private) Limited 12th Floor, BoC Head Office 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.cebkholidayhomes.com	Mr K E D Sumanasiri <i>Non-Executive Director/ Chairman</i> Mr B K Gurusinghe <i>Non-Executive Director</i> Mr K A D Wijayawardhane <i>Non-Executive Director</i> Mr A R Mallikarachchi <i>Non-Executive Director</i> <i>(All from BOC Management)</i>

Note : Transnational Lanka (Pvt) Ltd - not available in your list.

Subsidiary Companies	Directors	Associate Companies	Directors
<p>MBSL Insurance Company Limited</p> <p>No. 122, Kew Road, Colombo 02. Tel : 011 2304500 Fax : 011 2300499 e-mail : info@mbslinsurance.lk Website : www.mbslinsurance.lk</p>	<p>Mr D P K Gunasekera <i>Non-Executive Director/Chairman</i></p> <p>Mr W L A Fernando <i>Managing Director</i></p> <p>Mr P I Kandanaarachchi <i>Non-Executive Director</i></p> <p>Mr G M J A R Gamalath <i>Non-Executive Director</i></p> <p>Mr W S R Fernando <i>Non-Executive Director</i></p> <p>Mr H K D W M D K Hapuhinne <i>Non-Executive Director</i></p>	<p>Lanka Securities (Private) Limited</p> <p>No. 228/1, Galle Road, Colombo 04. Tel : 011 4706757 Fax : 011 4706767 e-mail : lankasec@sltnet.lk Website : www.lankasecurities.com</p>	<p>Ms A Taseer <i>Non-Executive Director/Chairman</i></p> <p>Mr M E Ul-Haq <i>Non-Executive Director</i></p> <p>Mr S A Taseer <i>Non-Executive Director</i></p> <p>Mr K U D Gamage <i>Executive Director</i></p> <p>Representation from Management of BoC Mr R M N Jeewantha <i>Non-Executive Director</i></p> <p>Representation from MBSL Mr W M D K Hapuhinne <i>Non-Executive Director</i> <i>Alternate Director to Ms A Taseer</i> Mr I Hafeez <i>Alternate Director to Ms S A Taseer</i> Mr S Taseer <i>Alternate Director to Mr M E Ul-Haq</i> Mr S A Taseer</p>
<p>Bank of Ceylon (UK) Limited</p> <p>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</p>	<p>Mr Kanchana Ratwatte <i>Non-Executive Director/ Chairman</i></p> <p>Mr W D R Swanney <i>Non-Executive Director</i></p> <p>Mr R England <i>Non-Executive Director</i></p> <p>Representation from Management of BoC Mr K E D Sumanasiri <i>Non-Executive Director</i></p> <p>Mr S Aruna Kumara <i>Chief Executive Officer/ Executive Director</i></p> <p>Mr P L Balasuriya <i>Non-Executive Director</i></p>	<p>Transnational Lanka Records Solutions (Private) Limited</p> <p>No. 55/60, Vauxhall Lane, Colombo 02. Tel : 011 7574574 Fax : 011 4514588 e-mail : suneth@transnational-grp.com Website : www.transnational-grp.com</p>	<p>Mr D K W Liew <i>Non-Executive Director</i></p> <p>Mrs P C Dodanwela <i>Non-Executive Director</i></p> <p>Ms D M H Liew <i>Non-Executive Director</i></p> <p>Mr J L C Yew <i>Non-Executive Director</i></p> <p>Representation from Management of BoC Mr W P Russel Fonseka <i>Non-Executive Director</i> <i>Alternate Director to W P Russel Fonseka</i> Mr R M N Jeewantha</p>
		<p>Ceybank Asset Management Limited</p> <p>No. 85, York Street, Colombo 01. Tel : 011 7602002 Fax : 011 2327203 e-mail : info@ceybank.com Website : www.ceybank.com</p>	<p>Mr A N Fernando <i>Non-Executive Director/ Chairman</i></p> <p>Ms V Govindan <i>Non-Executive Director</i></p> <p>Mr A D Perera <i>Non-Executive Director</i></p> <p>Mr I C C Ferdinands <i>Non-Executive Director</i></p> <p>Representation from Management of BoC Mr G A Jayashantha <i>Non-Executive Director</i> Mr R M N Jeewantha <i>Non-Executive Director</i></p>

CORRESPONDENT RELATIONSHIPS BY COUNTRY

Argentina

1 Banco Supervielle

Australia

2 Australia & New Zealand Banking Group Ltd
3 Bank of America, N.A.
4 Bank of Queensland Ltd
5 Bank of Sydney Ltd
6 Citibank NA
7 Citigroup Pty Limited
8 MUFG Bank Ltd

Austria

9 ERSTE Group Bank AG
10 Oberbank AG
11 Raiffeisen Bank International AG
12 Raiffeisenlandesbank Niederoesterreich-Wien AG
13 Raiffeisenlandesbank Oberosterreich Aktiengesellschaft
14 Raiffeisen-Landesbank Steiermark AG
15 UNI Credit Bank Austria AG Bank Austria Creditanstalt AG

Bahrain

16 Ahli United Bank
17 Albaraka Islamic Bank BSC
18 Alubaf Arab International Bank BSC
19 Arab Banking Corporation BSC
20 Bahrain Islamic Bank BSC
21 Bank Al Habib Limited
22 Habib Bank Ltd
23 National Bank of Bahrain
24 Standard Chartered Bank

Bangladesh

25 Agrani Bank
26 Al-Arafah Islami Bank Ltd
27 Bangladesh Krishi Bank
28 Bank Alfalah Limited
29 Bank Asia Ltd
30 Basic Bank Limited (Bangladesh Small Industries & Commerce Bank Ltd)
31 Commercial Bank of Ceylon PLC
32 Dutch-Bangla Bank Ltd
33 Eastern Bank Ltd
34 Export Import Bank of Bangladesh Ltd
35 Islami Bank Bangladesh Ltd
36 Jamuna Bank Limited
37 Janata Bank
38 Prime Bank Ltd
39 Sonali Bank
40 Standard Chartered Bank
41 The Premier Bank Limited
42 Uttara Bank
43 Woori Bank

Belarus

44 Belarus Bank

Belgium

45 BNP Paribas Fortis SA
46 Byblos Bank Europe SA
47 CBC Banque SA
48 Deutsche Bank AG
49 KBC Bank NV
50 Sumitomo Mitsui Banking Corporation

Botswana

51. First National Bank of Botswana Limited

Brazil

52 Banco Do Brazil
53 Banco Santander (Brasil) SA

Bulgaria

54 Central Cooperative Bank
55 Raiffeisenbank (Bulgaria) EAD
56 Unicredit Bulbank AD

Canada

57 Bank of America National Association
58 Bank of Montreal (BOFMCAM2)
59 Bank of Montreal (BOFMCAT2)
60 Bank of Nova Scotia
61 Canadian Imperial Bank of Commerce
62 HSBC Bank Canada
63 ICICI Bank
64 Royal Bank of Canada
65 SBI Canada Bank
66 Federation des caisses Desjardins du Quebec
67 Toronto Dominion Bank

Chile

68 Banco Bice
69 Banco De Chile
70 Banco De Credito E Inversiones
71 Itau Corpbanca

China

72 Agricultural Bank of China
73 Agricultural Development Bank of China
74 Allied Commercial Bank
75 Bank of Beijing
76 Bank of Changsha
77 Bank of China Limited
78 Bank of Communications Co. Ltd (COMMCNSH)
79 Bank of Communications Co. Ltd (COMMCN3X)
80 Bank of Hangzhou Co. Ltd
81 Bank of Jiangsu Co. Ltd
82 Bank of Jining Co. Ltd
83 Bank of Nanjing

84 Bank of Ningbo
85 Bank of Ruifeng
86 Bank of Shanghai
87 Changshu Rural Commercial Bank
88 China Citic Bank
89 China Construction Bank
90 China Development Bank Corporation
91 China Everbright Bank
92 China Merchants Bank
93 China Minsheng Bank
94 Commerzbank AG
95 Export Import Bank of China
96 Hankou Bank
97 HSBC Bank (China) Company Limited
98 Hua Xia Bank
99 Huishang Bank Corporation Ltd
100 Industrial And Commercial Bank of China
101 Industrial Bank Co. Ltd
102 Jiangsu Jianguyin Rural Commercial Bank
103 Laishang Bank Co. Ltd
104 Linshang Bank Co. Ltd
105 Ping An Bank Co. Ltd
106 Postal Savings Bank of China
107 Qilu Bank Co. Ltd
108 Skandinaviska Enskilda Banken AB (Publ)
109 Standard Chartered Bank (China) Limited
110 Ningbo Commerce Bank Company Ltd
111 Wells Fargo Bank
112 Xiamen Bank Co. Ltd
113 Zhejiang Tailong Commercial Bank Co. Ltd
114 Zhejiang Xiaoshan Rural Commercial Bank Company Limited

Croatia

115 Zagrebacka Banka DD

Cyprus

116 Bank of Cyprus Public Company Ltd
117 Hellenic Bank Public Company Limited

Czech Republic

118 Ceskoslovenska Obchodni Banka AS
119 Komerčni Banka AS
120 Moneta Money Bank AS
121 Unicredit Bank Czech Republic and Slovakia AS

Denmark

122 Danske Bank A/S
123 Nordea Bank Denmark AS
124 Sydbank A/S

Egypt

125 Al Baraka Bank Egypt
126 Arab International Bank
127 Bank Audi SAE

128 Export Development Bank of Egypt
 129 FaiSAL Islamic Bank of Egypt SAE
 130 National Bank of Egypt
 131 Qatar National Bank Alahli SAE (QNB Alahli)

Estonia

132. SEB Pank 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
 137 Nordea Bank Finland PLC
 138 OP Corporate Bank PLC
 139 Skandinaviska Enskilda Banken
 140 Svenska Handelsbanken

France

141 Banque Palatine
 142 Banques Populaires-Groupe BPCE
 143 CM-CIC Banques
 144 Commerzbank AG
 145 Credit Agricole CIB
 146 Credit Agricole SA
 147 Credit Cooperatif
 148 Credit Du Nord
 149 Credit Mutuel - CIC Banques
 150 Credit Mutuel Arkea
 151 HSBC Continental Europe
 152 Ley Credit Lyonnais
 153 Natixis
 154 Societe Generale
 155 Union De Banques Arabes ET Françaises

Georgia

156. JSC Bank of Georgia

Germany

157 Barclays Bank Ireland PLC
 158 Bayerische Landesbank
 159 Berliner Sparkasse - Landesbank Berlin AG
 160 Commerzbank AG (COBADEHH)
 161 Commerzbank AG (DRESDEFF)
 162 Commerzbank AG (CODAEDD)
 163 Commerzbank AG (COBADEFF)
 164 Deutsche Bank AG (DEUTDEFF)
 165 Deutsche Bank AG (DEUTDE 3B)
 166 Deutsche Bank AG (DEUTDE 6F)
 167 Deutsche Bank AG (DEUTDE 8L)

168 Deutsche Bank AG (DEUTDE BB)
 169 Deutsche Bank AG (DEUTDE DD)
 170 Deutsche Bank AG (DEUTDE DK)
 171 Deutsche Bank AG (DEUTDE DW)
 172 Deutsche Bank AG (DEUTDE HH)
 173 Deutsche Bank AG (DEUTDE MM)
 174 Deutsche Bank AG (DEUTDE SM)
 175 Deutsche Bank AG (DEUTDE SS)
 176 DNB Bank ASA
 177 Dz Bank AG
 178 Dz Bank AG Deutsche Zentral (GENODEFF)
 179 Dz Bank AG Deutsche Zentral (GENODESG)
 180 Dz Bank AG Deutsche Zentral (GENODE55)
 181 Frankfurter Volksbank EG
 182 Hamburger Sparkasse AG
 183 HSBC Trinkaus & Burkhardt KGA
 184 J.P. Morgan AG
 185 Joh. Berenberg Gossler & Co. KG
 186 Kreissparkasse Goppingen
 187 Landesbank Baden-Wuerttemberg
 188 Landesbank Hessen Thuringen Girozentrale
 189 M.M. Warburg & Co (AG & Co) KGaA
 190 Mainzer Volksbank EG
 191 Norddeutsche Landesbank (DRLADE22)
 192 Nordeutsche Landesbank (NOLADE2H)
 193 ODDO BHF Aktiengesellschaft
 194 Oldenburgische Landesbank AG
 195 Sparkasse Bremen AG, Die
 196 Sparkasse Dortmund
 197 Sparkasse Freiburg-Noerdlicher Breisgau
 198 Sparkasse Hannover
 199 Sparkasse Pforzheim Calw
 200 Standard Chartered Bank
 201 The Bank of New York Mellon
 202 Unicredit Bank AG

Greece

203 Eurobank Ergasias SA
 204 National Bank of Greece S.A.
 205 Piraeus Bank SA

Hong Kong

206 Banco Santander SA
 207 Bank of America National Association
 208 BNP Paribas
 209 Canara Bank
 210 Chong Hing Bank Limited
 211 Citibank NA
 212 Commerzbank AG
 213 Dah Sing Bank Limited
 214 DBS Bank (Hong Kong) Ltd
 215 DBS Bank Ltd

216 Deutsche Bank AG
 217 Habib Bank Zurich (Hong Kong) Limited
 218 Hang Seng Bank Ltd
 219 Hongkong & Shanghai Banking Corporation
 220 ICICI Bank Ltd
 221 Indian Overseas Bank
 222 Intesa Sanpaolo Spa Hong Kong
 223 JPMorgan Chase Bank, N.A.
 224 Mashreqbank PSC
 225 Mizuho Bank Ltd
 226 MUFG Bank Ltd
 227 OCBC Wing Hang Bank Ltd
 228 Oversea - Chinese Banking Corporation
 229 Shanghi Commercial Bank Ltd
 230 Shinhan Bank
 231 Skandinaviska Enskilda Banken AB
 232 Standard Chartered Bank (Hong Kong) Limited
 233 Sumitomo Mitsui Banking Corporation
 234 UBS AG
 235 Union Bank of India
 236 United Overseas Bank Limited
 237 Wells Fargo Bank NA

Hungary

238 Budapest Bank NYRT
 239 Raiffeisen Bank ZRT

India

240 Australia and New Zealand Banking Group Limited
 241 Axis Bank
 242 Bank of America, N.A.
 243 Bank of Baroda
 244 Bank of India
 245 Bank of Maharashtra
 246 Bank of Nova Scotia
 247 BNP Paribas
 248 Canara Bank
 249 Central Bank of India
 250 Citibank NA
 251 City Union Bank Limited
 252 Credit Agricole CIB
 253 DBS Bank India Limited
 254 DCB Bank Ltd
 255 Dena Bank
 256 Deutsche Bank AG
 257 Doha Bank QSC
 258 Export-Import Bank of India
 259 Federal Bank Limited
 260 HDFC Bank
 261 ICICI Bank Ltd
 262 IDBI Bank Ltd
 263 Indian Bank
 264 Indian Bank (IDIBINBB)
 265 Indian Overseas Bank

CORRESPONDENT RELATIONSHIPS BY COUNTRY

266 Indusind Bank Ltd
 267 Ing Vysya Bank
 268 Jammu & Kashmir Bank Ltd
 269 JPMorgan Chase Bank, NA
 270 Karnataka Bank Ltd
 271 Karur Vysya Bank
 272 Kotak Mahindra Bank Limited
 273 Mashreq Bank
 274 Mizuho Bank Ltd
 275 MUFG Bank Ltd
 276 Punjab & Sind Bank Ltd
 277 Punjab National Bank (PUNBINBB)
 278 Punjab National Bank (ORDCINBB)
 279 Punjab National Bank (UTDIINBB)
 280 RBLI Bank Ltd
 281 Saraswat - Cooperative Bank Ltd
 282 Shinhan Bank
 283 Standard Chartered Bank
 284 State Bank of Bikaner and Jaipur
 285 State Bank of India
 286 Sumitomo Mitsui Banking Corporation
 287 Svc Co-Operative Bank Limited
 288 Syndicate Bank
 289 Tamilnad Mercantile Bank Ltd
 290 The Hongkong and Shanghai Banking Corporation Limited
 291 The Kalupur Commercial Co-Operative Bank Limited
 292 UCO Bank
 293 Union Bank of India (UBININBB)
 294 Union Bank of India (ANDBINBB)
 295 Union Bank of India (ALLAINBB)
 296 Vijaya Bank
 297 Yes Bank

Indonesia

298 Bank Dbs Indonesia, PT
 299 Citibank, NA
 300 Indonesia Eximbank (PT Bank Ekspor Indonesia)
 301 MUFG Bank Ltd
 302 PT Bank CIMB NiAGa, TBK
 303 PT Bank Danamon Indonesia, TBK
 304 PT Bank HSBC
 305 PT Bank Mandiri (Persero)
 306 PT Bank Negara Indonesia TBK
 307 PT Bank Pan Indonesia TBK (Panin Bank)
 308 PT Bank Permata TBK
 309 PT Bank Rakyat Indonesia (Persero), TBK
 310 PT Bank SBI Indonesia
 311 PT Bank Woori Saudara Indonesia 1906 TBK
 312 Standard Chartered Bank

Ireland

313 AIB Bank
 314 Bank of Ireland
 315 Citibank Europe PLC

Israel

316 Bank Hapoalim BM
 317 Bank Leumi Le Israel BM
 318 Citibank N.A.
 319 Israel Discount Bank
 320 Mercantile Discount Bank Ltd
 321 Mizrahi Tefahot Bank Ltd
 322 Union Bank of Israel Ltd

Italy

323 Banca Del Piemonte
 324 Banca Monte Dei Paschi Di Siena
 325 Banca Nazionale Del Lavoro Spa
 326 Banca Popolare - Volksbank (Banca Popolare Dell Alto Adige)
 327 Banca Popolare Di Sondrio
 328 Banca Popolare Pugliese
 329 Banco Bpm Spa (BAPPIT22)
 330 Banco Bpm Spa (BPMIITMM)
 331 Banco Di Desio E Della Brianza Spa
 332 Bper Banca S.P.A.
 333 Credit Agricole Italia Spa
 334 Credito Emiliano S.P.A.
 335 Iccrea Banca - Istituto Centrale Del Credito Cooperativo
 336 Intesa Sanpaolo Spa (BCITITMM)
 337 Intesa Sanpaolo Spa (BLOIT22)
 338 Solution Bank Spa
 339 Unicredit Bank AG (Unicredito Italiano Spa)
 340 Unipol Banca Spa

Japan

341 77 Bank Ltd
 342 Australia & New Zealand Banking Group Ltd
 343 Bank of Fukuoka Ltd
 344 Bank of Kyoto
 345 Bank of Yokohama Ltd
 346 Bnp Paribas S.A.
 347 Chiba Kogyo Bank Ltd
 348 Chukyo Bank Ltd
 349 Citibank N.A.
 350 Commerzbank AG Tokyo
 351 Daishi Hokuetsu Bank Ltd
 352 Deutsche Bank AG
 353 Gunma Bank Limited
 354 Hongkong and Shanghai Banking Corporation Limited
 355 Iyo Bank Ltd
 356 Jyo Bank Ltd
 357 Kansai Mirai Bank
 358 Kiraboshi Bank Ltd
 359 Kiyo Bank Ltd
 360 Kookmin Bank
 361 Kyoto Chuo Shinkin Bank
 362 Mizuho Bank Ltd
 363 MUFG Bank

364 Okazaki Shinkim Bank
 365 Resona Bank Limited
 366 Saitama Resona Bank Ltd
 367 Shiga Bank Ltd
 368 Shinkin Central Bank
 369 Standard Chartered Bank
 370 Sumitomo Mitsui Banking Corporation
 371 The Asahi Shinkin Bank
 372 The Ashikaga Bank Ltd
 373 The Bank of New York Mellon
 374 The Shizuoka Bank Ltd
 375 The Yokohama Shinkin Bank
 376 Tokushima Taisho Bank Ltd
 377 Wells Fargo Bank N.A.
 378 Yamanashi Chuo Bank Ltd

Jordan

379 Arab Bank PLC
 380 Bank Al Etihad
 381 Bank of Jordan PLC
 382 Cairo Amman Bank
 383 Housing Bank for Trade & Finance
 384 Invest Bank
 385 Islamic International Arab Bank Ltd
 386 Jordan Ahli Bank PLC
 387 Jordan Commercial Bank
 388 Jordan Kuwait Bank
 389 Standard Chartered Bank

Kenya

390. ABSA Bank Kenya PLC

Korea

391 Citi Bank Korea Inc
 392 Daegu Bank Ltd
 393 Industrial Bank of Korea
 394 JPMorgan Chase Bank, N.A.
 395 Keb Hana Bank
 396 Kookmin Bank
 397 Kyongnam Bank
 398 Nonghyup Bank
 399 Shinhan Bank
 400 Suhyup Bank
 401 Sumitomo Mitsui Banking Corporation
 402 The Busan Bank Co Ltd
 403 The Export-Import Bank of Korea
 404 The Hongkong and Shanghai Banking Corporation Limited
 405 The Kwangju Bank Ltd
 406 Union De Banques Arabes ET Francaises
 407 Woori Bank

Kuwait

408 Boubyan Bank (K.S.C)
 409 Burgan Bank SAK
 410 Citibank N.A.

411 Kuwait Finance House (K.S.C.)
 412 National Bank of Kuwait Sakp

Lebanon

413 Arab Bank PLC
 414 Bank Audi SAL - Audi Saradar Group
 415 Bank of Beirut SAL
 416 Bankmed SAL
 417 BBAC SAL
 418 BLC Bank SAL
 419 Credit Libanais SAL
 420 First National Bank SAL
 421 Fransbank SAL
 422 LGB Bank SAL
 423 MEAB Bank (Middle East & Africian Bank SAL)
 424 Societe Generale Banque Au Liban SAL

Libya

425. National Commercial Bank SAL

Macao

426. Banco Comercial Portugues

Malaysia

427 Affin Bank
 428 AmBank (M) Berhad
 429 CIMB Bank
 430 Citibank
 431 Deutsche Bank
 432 Hong Leong Bank
 433 HSBC Bank
 434 Malayan Banking
 435 MUFG Bank
 436 OCBC (Malaysia) Verhad Kuala Lumpur
 437 Public Bank
 438 RHB Bank
 439 Standard Chartered Bank
 440 United Overseas Bank

Maldives

441 Bank of Maldives PLC
 442 Hongkong and Shanghai Banking Corporation Limited
 443 Maldives Islamic Bank PLC
 444 State Bank of India
 445 The Mauritius Commercial Bank Limited

Mauritius

446 ABC Banking Corperation
 447 Maubank Ltd
 448 SBM Bank
 449 The Mauritius Commercial Bank Ltd

Mexico

450 Banco Nacional De Mexico SA
 451 Banco Santander Mexico, SA Institucion

De Banca Multiple, Grupo Financiero
 Santander Mexico
 452 BBVA Bancomer SA

Morocco

453. Attijariwafa Bank

Nambia

454. First National Bank of Namibia Limited

Nepal

455 Kumari Bank Ltd
 456 Nabil Bank Limited
 457 Nepal Credit Commercial Bank
 458 Prabhu Bank Ltd
 459 Siddhartha Bank Limited
 460 Standard Chartered Bank Nepal Ltd

Netherlands

461 ABN Amro Bank NV
 462 Amsterdam Trade Bank NV
 463 BNP Paribas SA
 464 Commerzbank AG Kantoor Amsterdam
 465 Cooperatieve Rabobank UA
 466 Deutsche Bank AG
 467 Societe Generale

New Zealand

468 ANZ Bank New Zealand Limited
 469 Bank of New Zealand
 470 Hongkong and Shanghai Banking Corporation Limited

Norway

471 Danske Bank A/S
 472 DNB Bank ASA
 473 Handelsbanken
 474 Nordea Bank Abp, Filial I Norge
 475 Spare Bank 1 Ostlandet
 476 Spare Bank 1 SMN
 477 Sparebanken More
 478 Sparebanken Nord Norge

Oman

479 Bankmuscat SAOG
 480 National Bank of Oman SAOG
 481 Sohar International Bank SAOG
 482 Standard Chartered Bank

Pakistan

483 Albaraka Bank Pakistan
 484 Allied Bank Limited
 485 Askaribank Limited
 486 Bank Al Habib Ltd
 487 Bank Alfalah Limited
 488 Bank of Panjab
 489 Citibank NA

490 Dubai Islamic Bank Pakistan Ltd
 491 Faysal Bank Ltd
 492 Habib Bank Limited
 493 Habib Metropolitan Bank Ltd
 494 MCB Bank Ltd
 495 Meezan Bank Ltd
 496 National Bank of Pakistan
 497 Soneri Bank Ltd
 498 Standard Chartered Bank (Pakistan) Ltd
 499 Summit Bank
 500 United Bank Limited

Palastene

501. Arab Bank PLC

Papua New Guinea

502. Australia and New Zealand Banking Group (Png) Ltd

Peru

503 Banco BBVA Peru
 504 Banco De Credito Del Peru

Philippines

505 Asian Development Bank
 506 Metropolitan Bank & Trust Co.
 507 Mizuho Bank Ltd
 508 Standard Chartered Bank
 509 United Coconut Planters Bank

Poland

510 Bank Handlowy W Warszawie SA
 511 Bank Millennium SA
 512 Bank Polska Kasa Opieki SA
 513 BNP Paribas Bank Polska SA
 514 PKO Bank Polski SA
 515 Santander Bank Polska SA (Kredyt Bank SA)

Portugal

516 Banco BPI SA
 517 Novo Banco, SA

Qatar

518 Ahli Bank QSC
 519 Doha Bank
 520 Dukhan Bank
 521 HSBC Bank Middle East Limited
 522 Mashreq Bank
 523 Qatar International Islamic Bank
 524 Qatar Islamic Bank SAQ
 525 The Commercial Bank (QSC)

Romania

526 Banca Transilvania
 527 BRD - Groupe Societe Generale SA

CORRESPONDENT RELATIONSHIPS BY COUNTRY

Russia

528 Absolut Bank
529 AO Unicredit Bank
530 Commerzbank (Eurasija) AO
531 Natsi N Vestprom Bank
532 Sberbank
533 VEB,RF
534 VTB Bank

Saudi Arabia

535 Al Inma Bank
536 Al Rajhi Bank
537 Arab National Bank
538 Bank Al Bilad
539 Bank Al Jazira
540 Banque Saudi Fransi
541 Riyadh Bank Riyadh
542 Saudi British Bank
543 Saudi Investment Bank
544 Saudi National Bank

Seychelles

545 ABSA (Seychelles) Limited
546 Seychelles International Mercantile Banking

Singapore

547 ABN Amro
548 Australia and New Zealand Banking Group Limited
549 Bank of America, N.A.
550 Bank of India
551 BNP Paribas
552 Citibank, N.A.
553 Commerzbank AG
554 Credit Agricole CIB
555 DBS Bank Ltd
556 Deutsche Bank AG
557 DNB Bank
558 Emirates NBD Bank PJSC
559 First Abu Dhabi Bank PJSC
560 ICICI Bank Limited
561 Indian Bank
562 Indian Overseas Bank
563 Intesa Sanpaolo S.P.A.
564 JPMorgan Chase Bank, N.A.
565 Landesbank Baden-Wuerttemberg
566 Malayan Banking Berhad
567 Mizuho Bank Ltd
568 MUFG Bank, Ltd
569 National Bank of Kuwait S.A.K.P
570 Natixis
571 Nordea Bank Singapore
572 Oversea - Chinese Banking Corporation Ltd
573 Qatar National Bank (Q.P.S.C)
574 Rabobank Singapore

575 RHB Bank Berhad
576 Skandinaviska Enskilda Banken AB
577 Societe Generale
578 Standard Chartered Bank
579 Standard Chartered Bank (Singapore) Limited
580 State Bank of India
581 Sumitomo Mitsui Banking Corporation
582 The Hongkong and Shanghai Banking Corporation Limited
583 UBS AG
584 UCO Bank
585 Unicredit Bank AG
586 Union De Banques Arabes ET Francaises
587 United Overseas Bank Ltd

Slovakia

588 Ceskoslovenska Obchodni Banka AS
589 Tarta Bank AS
590 Unicredit Bank Czech Republic and Slovakia AS

Slovenia

591 Nova Kreditna Banka Maribor D D

South Africa

592 ABSA Bank Ltd
593 Firststrand Bank Ltd
594 NED Bank Ltd
595 Standard Bank of South Africa Ltd

Spain

596 Banco Bilbao Vizcaya Argentaria
597 Banco De Sabadell SA
598 Banco Santander SA (POPUESMM)
599 Banco Santander SA (BSCHEMMS)
600 Bankinter
601 Caixa Bank
602 Unicaja Banco SA

Swaziland

603. First National Bank of Eswatini Limited

Sweden

604 Danske Bank
605 Nordea Bank Abp
606 Skandinaviska Enskilda Banken AB
607 Svenska Handelsbanken AG (Publ)
608 Swed Bank

Switzerland

609 Aargauische Kantonalbank
610 Arab Bank (Switzerland) Ltd
611 Baloise Bank SoBA
612 Bank CIC (Switzerland) Ltd
613 Bank Linth Llb AG
614 Banque Cantonale De Geneve

615 Banque Cantonale Vandoise
616 Barclays Bank (Suisse) SA
617 Basellandschaftliche Kantonalbank
618 Berner Kantonalbank AG
619 BNP Paribas
620 CA Indosuez (Switzerland) SA
621 Credit Sussie
622 Entris Banking AG
623 Luzerner Kantonal Bank AG
624 Postfinance AG
625 Schwyzer Kantonalbank (SKB)
626 Six Interbank Clearing AG
627 Thurgauer Kantonalbank
628 UBS AG
629 UBS Switzerland AG
630 Valiant Bank AG
631 Zuger Kantonalbank
632 Zurcher Kantonalbank

Taiwan

633 Bank of Taiwan
634 Bank Sinopac
635 Cathay United Bank
636 Chang Hwa Commercial Bank Ltd
637 Citibank Taiwan Limited
638 DBS Bank (Taiwan) Ltd
639 E-Sun Commercial Bank Ltd
640 First Commercial Bank
641 HSBC Bank (Taiwan) Limited
642 Hua Nan Commercial Bank
643 King's Town Bank
644 Mega International Commercial Bank
645 Mizuho Bank Ltd
646 Shanghai Commercial & Savings Bank Ltd
647 Standard Chartered Bank (Taiwan) Limited
648 Sumitomo Mitsui Banking Corporation
649 Taipei Fubon Commercial Bank
650 Taiwan Business Bank
651 Taiwan Cooperative Bank
652 The Bank of New York Mellon
653 Union Bank of Taiwan

Thailand

654 Bangkok Bank Public Company Ltd
655 Bank of America, NA
656 Bank of Ayudhya Public Company Limited (BOTKTHBX)
657 Bank of Ayudhya Public Company Ltd (AYUDTHBK)
658 Citibank NA
659 Deutsche Bank AG
660 Export Import Bank of Thailand
661 Indian Overseas Bank
662 Kasikorn Bank Public Company Ltd
663 Krung Thai Bank Public Company Limited

664 Mizuho Bank Ltd
 665 Siam Commercial Bank PCL
 666 Standard Chartered Bank (Thai) Public Company Ltd
 667 Sumitomo Mitsui Banking Corporation
 668 The Hongkong and Shanghai Banking Corporation Limited
 669 Tmbthanachart Bank Public Limited
 670 United Overseas Bank (Thai) Public Co Ltd

Tunisia

671. Banque Tuniso-Libyenne

Turkey

672 AK Bank TAS
 673 Albaraka Turk Participation Bank
 674 Alternatifbank AS
 675 Burgan Bank
 676 Citibank AS
 677 Denizbank AS
 678 Kuvoyt Turk Katilim Bankasi AS
 679 QNB Finansbank AS
 680 Sekerbank TAS
 681 Turk Ekonomi Bankasi
 682 Turkiye Cumhuriyeti Ziraat Bankasi AS
 683 Turkiye Finance Katilinu Bankasi AS
 684 Turkiye Garanti Bankasi AS
 685 Turkiye Halk Bankasi AS
 686 Turkiye Is Bankasi AS
 687 Turkiye Vakiflar Bankasi Tao
 688 Turkland Bank - T Bank
 689 Yapi Ve Kredi Bankasi AS

UAE

690 Abu Dhabi Commercial Bank
 691 Abu Dhabi Islamic Bank
 692 Arab Bank For Investment & Foreign Trade
 693 Axis Bank Limited
 694 Bank of Baroda
 695 Bank of Sharjah
 696 Citibank N.A.
 697 Commercial Bank International PLC
 698 Commercial Bank of Dubai PSC
 699 Doha Bank
 700 Dubai Islamic Bank PJSC
 701 Emirates Islamic Bank PJSC
 702 Emirates NBD PJSC
 703 First Abu Dhabi Bank
 704 Habib Bank AG Zurich
 705 Habib Bank Limited
 706 Intesa Sanpaolo Spa
 707 Mashreqbank PSC
 708 MCB Bank Limited
 709 National Bank of Fujirah
 710 National Bank of Kuwait (S.A.K.)
 711 National Bank of Ras Al-Khaimah

712 Standard Chartered Bank
 713 Unicredit S.P.A.
 714 United Arab Bank

UK

715 Allied Irish Bank PLC (AIB)
 716 Arab National Bank
 717 Bank Negara Indonesia-PT
 718 Bank of America, N.A.
 719 Bank of Beirut (UK) Ltd
 720 Bank of Ceylon (UK) Ltd
 721 Barclays Bank PLC
 722 Barclays Capital
 723 Canadian Imperial Bank of Commerce
 724 Citibank N.A.
 725 Clydesdale Bank PLC (Yorkshire Bank)
 726 Deutsche Bank AG
 727 Handelsbanken PLC
 728 HSBC Bank PLC
 729 ICBC Standard Bank PLC
 730 ICICI Bank UK PLC
 731 JPMorgan Chase Bank, N.A.
 732 Lloyds TSB Bank PLC
 733 Malayan Banking Berhad
 734 Mashreq Bank PSC
 735 National Australia Bank Limited
 736 National Westminster Bank PLC
 737 Santander UK PLC
 738 Shinhan Bank London Branch
 739 SMBC Bank International PLC
 740 Sonali Bank (UK) Ltd
 741 Standard Chartered Bank
 742 State Bank of India
 743 The Royal Bank of Scotland PLC (RBOSG B2L)
 744 The Royal Bank of Scotland PLC (RBOSG B2M)
 745 Wells Fargo Bank, N.A.

Ukraine

746 First Ukrainian International Bank-PJSC
 747 JSC Bank Credit Dnepr
 748 JSC The State Export Import Bank of Ukraine

Uruguay

749. The Banco De La Republic Oriental Del Uruguay

USA

750 Bangkok Bank Public Company Limited
 751 Bank of America NA (BOFAUS6S)
 752 Bank of America, N.A. (BOFAUS3M)
 753 Bank of America, N.A. (BOFAUS3N)
 754 Bank of India
 755 Bank of The West
 756 Barclays Bank PLC

757 BNP Paribas SA
 758 Cathay Bank
 759 Citibank NA
 760 Citizens Bank N.A.
 761 Comerica Bank (MNBUS33)
 762 Comerica Bank (MNBUS6S)
 763 Commerce Bank NA
 764 Deutsche Bank Trust Company Americas
 765 East-West Bank
 766 Habib American Bank
 767 HSBC Bank USA
 768 JP Morgan Chase Bank
 769 Keybank National Association
 770 Mashreqbank Psc
 771 Mizuho Bank Ltd
 772 MUFG Bank Ltd
 773 MUFG Union Bank National Association
 774 National Australia Bank Limited
 775 Nonghyup Bank
 776 Nordea Bank ABP
 777 PNC Bank NA
 778 Regions Bank
 779 Shinhan Bank
 780 Silicon Valley Bank
 781 Standard Chartered Bank
 782 State Bank of India
 783 Sumitomo Mitsui Banking Corporation
 784 The Bank of Newyork Mellon
 785 Truist Bank (BRBTUS33)
 786 Truist Bank (SNTRUS3A)
 787 US Bank NA
 788 Wells Fargo Bank N.A. (WFBUS6S)
 789 Wells Fargo Bank N.A. (WFBUS6W)
 790 Wells Fargo Bank, N.A. (PMBPUS33)
 791 Wellsfargo Forex

Vietnam

792 Asia Commercial Bank
 793 Bank For Foreign Trade of Vietnam
 794 Citibank N.A.
 795 Joint Stock Commercial Bank for Investment and Development of Vietnam
 796 Mizuho Bank Ltd
 797 Saigon Thuong Tin Commercial Joint Stock Bank (Sacombank)
 798 Shinhan Bank Vietnam Limited
 799 Vietnam Bank for Agriculture and Rural Development
 800 Vietnam Technological and Commercial Joint Stock Bank
 801 Woori Bank Vietnam Limited

EXCHANGE COMPANIES BY COUNTRY

Australia

1. Cash Plus Forex Pty Ltd
2. Harbour and Hills
3. PFG Forex
4. Serendib Financial Pty Ltd

Bahrain

5. Bahrain Financing Company
6. Ezremit Ltd (BFC Bank)
7. National Finance & Exchange Co WLL
8. Zenj Exchange
9. Zenj Exchange Company WLL (Turbo Cash)

Cyprus

10. GS Cashline

France

11. Tempo – France

Israel

12. Global Remit Currency Services
13. TIFCO Logistics & Trade Ltd

Italy

14. National Exchange Company SRL
15. Valutrans SPA (Metro)

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 Mulla International Exchange Co WLL
21. Al Muzaini Exchange Co KSC (Closed)
22. Al Nada International Exchange
23. Aman Exchange Co. WLL
24. Bahrain Exchange Co WLL
25. City International Exchange Co WLL
26. Etemadco 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. Zajil Exchange Co WLL

Lebanon

36. Srou Exchange

Malaysia

37. Merchantrade Asia SDN BHD

Oman

38. Gulf Overseas Exchange Co LLC
39. Hamdan Exchange
40. Joyalukkas Exchange
41. LULU Exchange Co LLC
42. Modern Exchange Co LLC
43. Musandam Exchange
44. Mustafa Sultan Exchange Co LLC
45. Oman International Exchange LLC
46. Purshottam Kanji Exchange Co LLC
47. Unimoni Exchange LLC

Qatar

48. Al Dar For Exchange Works
49. Al Fardan Exchange Co WLL
50. Al Mana Exchange WLL
51. Al Sadd Exchange
52. Al Zaman Exchange WLL
53. Al-Mirqab Exchange Co.
54. Arabian Exchange Company WLL
55. City Exchange Co.WLL
56. Eastern Exchange EST
57. Gulf Exchange Company
58. Habib Qatar International Exch. Ltd
59. Islamic Exchange
60. National Exchange Co Wll

Singapore

61. HBZ International Exchange Co (Metro) (Singapore) Pvt Ltd
62. Mustafa Foreign Exchange

Switzerland

63. Motherhouse GMBH

Spain

64. Small World Financial Services Spain Sau

UAE

65. Al Ahalia Money Exchange Bureau
66. Al Ansari Exchange Est
67. Al Fardan Exchange
68. Al Rostamani International Exchange
69. Delma Exchange
70. Emirates India International Exchange Company - Dubai
71. Index Exchange Co LLC
72. Joyalukkas Exchange Dubai
73. Lari Exchange Establishment
74. Lulu International Exchange LLC
75. Orient Exchange Co. LLC
76. Redha Al-Ansari Exchange EST
77. UAE Exchange Centre
78. Wall Street Exchange Centre
79. Xpress Money Services Limited

UK

80. An Express Ltd
81. Global Exchange Ltd
82. NEC Money Transfer Limited
83. SGS Corperation
84. Stonex Former Intl Fc Stone Ltd (IfI)
85. Transfer To Mobile Financial Services
86. Worldremit

USA

87. Moneygram
88. Prabhu Group Inc
89. Ria Financial Services (Continental Exchange Solutions Inc)
90. Trans-Fast Remittance LLC
91. 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.

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.

GLOSSARY OF FINANCIAL/ BANKING TERMS

Country Risk

The credit risk associated with lending to borrowers within a particular country, sometimes taken to include sovereign risk.

Credit Risk

The risk of loss due to non-payment of a loan or other line of credit (either the principal or interest or both), by the borrower or a counterparty.

Credit Ratings

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting carried out by an independent rating agency.

D

Dealing Securities

Securities acquired and held with the intention of reselling them in the short term.

Debt Equity Ratio

Long-term borrowings divided by shareholder's equity.

Deferred Taxation

Sum set aside for tax in the Financial Statements that will become payable/receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

Defined Benefit Plans

Retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earning history, tenure of service and age.

Derivatives

A financial instrument, the price of which has a strong relationship with an underlying commodity, currency variable or financial instrument.

Documentary Letters of Credit (LC)

Written undertakings by a bank on behalf of its customers (typically an importer), authorising a third party (e.g. an exporter) to draw drafts on the Bank up to a stipulated amount under specific terms and conditions. Such undertakings are established for the purpose of facilitating international trade.

Domestic Systemically Important Banks (D-SIBs)

Systemically Important Banks (SIBs) are perceived as banks that are "Too Big To Fail". D-SIBs are critical for the uninterrupted availability of essential banking services to the country's real economy even during crisis. The CBSL has designated Licenced Commercial Banks with total assets equal to or greater than LKR 500 billion as D-SIBs

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.

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.

GLOSSARY OF FINANCIAL/ BANKING TERMS

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 2325088, 2205620,
+94 11 2205621, 2325095,
+94 11 2541935, 2205650

Fax : +94 11 2325092, 2395807

Email : cmccc@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 2694282 - 86

Fax : +94 11 2694280

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 2345420

Fax : +94 11 2345420

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 2541943

Fax : +94 11 2446820

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 2445791

Fax : +94 11 2445791

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 2395814, 2445785-7

Fax : +94 11 2445788

Email : chiefdealer@boc.lk

Branch Code : 760

Electronic Banking Unit

Management of ATM Card operations, facilitator for Internet and Mobile banking

21st Floor, Bank of Ceylon Head Office, "BOC Square", No. 01,
Bank of Ceylon Mawatha, Colombo 01, Sri Lanka.

Tel : +94 11 2204650, 2204674

Fax : +94 11 2447569

Email : ebank@boc.lk, cmebu@boc.lk

Branch Code : 777

Inward Remittances Department

Facilitator in processing inward remittances to Sri Lanka

8th Floor, Bank of Ceylon Head Office, "BOC Square", No. 01,
Bank of Ceylon Mawatha, Colombo 01, Sri Lanka.

Tel : +94 11 2439560, 2541933

Fax : +94 11 2344845

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 2205030, 2445811

Fax : +94 11 2205036

Email : ibu@boc.lk

Branch Code : 776

CORPORATE OFFICES AND OVERSEAS BRANCHES

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, 2203626
Fax : +94 11 2346841
Email : mgrintrtrade@boc.lk, intrtrade@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 : agmtrdefinace@boc.lk

Branch Code : 660

Overseas Branches

Male Branch

"Aage" No. 12, Boduthakurufaanu Magu,
Henneiru, Male. 20094, Republic of
Maldives.

Tel : +960 3323045, 3020500
Email : agmmale@boc.lk
SWIFT code : BCEYMMVM

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, 461 1889
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 1 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 2203333 (Hotline)
+94 11 2446790-811 (22 lines)
+94 11 2338741-47 (7 lines)
+94 11 2445815-20 (6 lines)
+94 11 2544340-44 (5 lines)
+94 11 2544333-37 (5 lines)

Facsimile : +94 11 2321160
Bank code : 7010
SWIFT code : BCEYLK LX
E-Mail : boc@boc.lk,
customercare@boc.lk
Website : www.boc.lk

Call Centre

Tel : +94 11 2204444, 1975
Facsimile : +94 11 2320864

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 2203044/ 45
Facsimile : +94 11 2445801

Accounting Year End

31 December

Tax Payer Identification Number (TIN)

409000070

VAT Registration Number

409000070-7000

SVAT Registration Number

SVAT002898

Stock Exchange Listing

The Unsecured, Subordinated Redeemable Debentures of October 2013/ October 2023 series, September 2014/ September 2022 series, October 2015/ October 2023 series and December 2016/ December 2024 series with fixed and floating interest rates are listed on Colombo Stock Exchange.

Local Ratings

- National Long-term rating: 'AA-(lka)' Outlook Stable
- Subordinated debentures: 'A (lka)' by Fitch Ratings Lanka Limited
- Issuer rating: (SL) AAA (Negative) by ICRA Lanka Limited

Global Ratings

'CC' by Fitch Ratings

Lawyers

Mr B K Gurusinghe
Chief Legal Officer of Bank of Ceylon and his assistants.

Tel : +94 11 2445813/ 2204400
Facsimile : +94 11 2321167
E-mail : clo@boc.lk

Compliance Officer

Ms W B P Rathnayake
(Deputy General Manager – Compliance)
Tel : +94 11 2448532/ 2204800
Facsimile : +94 11 2544306
E-mail : 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 2887223
E-mail : ag@auditorgeneral.gov.lk
(Appointed in terms of the provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka)

Registrars to the Debenture Issues

Bank of Ceylon
Investment Banking Division
7th Floor, Bank of Ceylon Head Office
No. 01, 'BOC Square'
Bank of Ceylon Mawatha
Colombo 01, Sri Lanka.
Tel : +94 11 2394311
+94 11 2448348
+94 11 2346845

Facsimile : +94 11 2346842
E-mail : investment@boc.lk

Board of Directors

Mr Kanchana Ratwatte (Chairman)
Mr R M Priyantha Rathnayake
Mr G Harsha Wijayawardhana
Mr A C Manilka Fernando
Major General (Rtd.) G A Chandrasiri
Mr Jayampathy Molligoda

Secretary, Bank of Ceylon/ Secretary to the Board

Ms Janaki Senanayake Siriwardane

For Clarifications on the Report, Please Contact

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(Finance and Planning)
10th Floor, Bank of Ceylon Head Office
No. 01, 'BOC Square'
Bank of Ceylon Mawatha
Colombo 01, Sri Lanka.
Tel : +94 11 2432680
+94 11 2203900
Facsimile : +94 11 2448203
E-Mail : dgmfp@boc.lk

Audit Committee

Mr A C Manilka Fernando (Chairman)
Mr R M Priyantha Rathnayake
Mr G Harsha Wijayawardhana
Major General (Rtd.) G A Chandrasiri

Integrated Risk Management Committee

Mr R M Priyantha Rathnayake (Chairman)
Mr G Harsha Wijayawardhana
Mr Jayampathy Molligoda

Human Resources and Remuneration Committee

Mr A C Manilka Fernando (Chairman)
Mr R M Priyantha Rathnayake
Major General (Rtd.) G A Chandrasiri

Nomination and Corporate Governance Committee

Mr Jayampathy Molligoda (Chairman)
Mr A C Manilka Fernando
Mr R M Priyantha Rathnayake
Mr G Harsha Wijayawardhana

Information and Communication Technology Committee

Mr G Harsha Wijayawardhana (Chairman)
Mr A C Manilka Fernando
Mr Jayampathy Molligoda

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Photography by Dimitri Crusz

Printing by Gunaratne Offset (Pvt) Ltd



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Bankers to the Nation

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