



Leading to Inspire

BANK OF CEYLON
ANNUAL REPORT 2020

Bankers to the Nation

Our Vision

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

Our Mission

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

Corporate Value Statement

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



As we traversed a new terrain in 2020 engulfed by unprecedented challenges, we at BoC demonstrated resilience and strength across many dimensions. As the world stood still during the pandemic, we ensured that we reach out to our customers through digital platforms. Our efforts to harness the power of new technology over the years allowed us to adapt and pivot seamlessly to the new normal.

Leading the way, we have powered the economy through many development projects of national interest which will stimulate prosperity and development across the Island. As the unequivocal leader in the banking sphere we inspired the way by helping the state navigate through a challenging era.

We set the pace for economic resurgence by granting financial support to industries affected by the pandemic creating a strong bedrock to help the Nation chart its way in the new economy. Standing tall as a pillar of support to the Nation and its people with unwavering support we are truly

Leading to inspire.

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Our Integrated Annual Report



This Integrated Annual Report aims to report on the progress made in delivering the Bank's triple bottom line priorities in relation to its strategic agenda. As the Bank's eighth Integrated Report, it has been prepared in accordance with the Integrated Reporting <IR> Framework of the International Integrated Reporting Council and takes into considerations the revisions to the Framework published in January 2021.

The Report presents concise and relevant information on the Bank's operating environment, strategy, performance and value creation, governance, risk management and outlook.

Reporting Scope and Boundary:

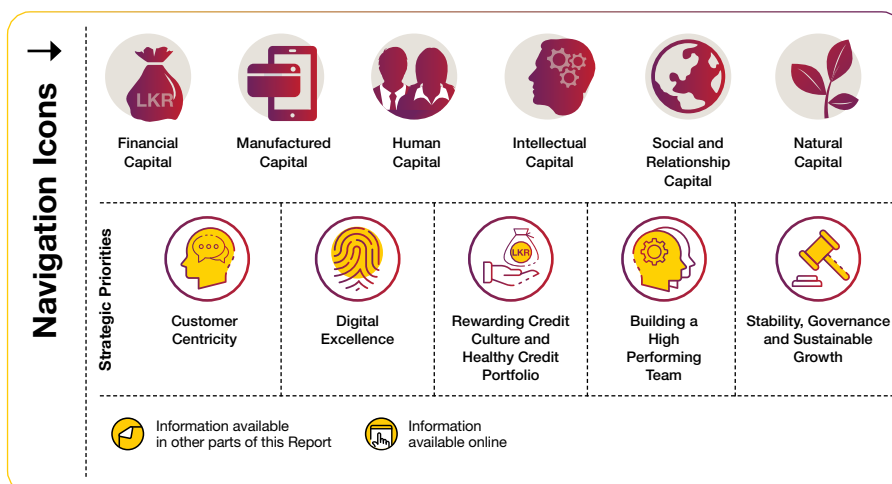
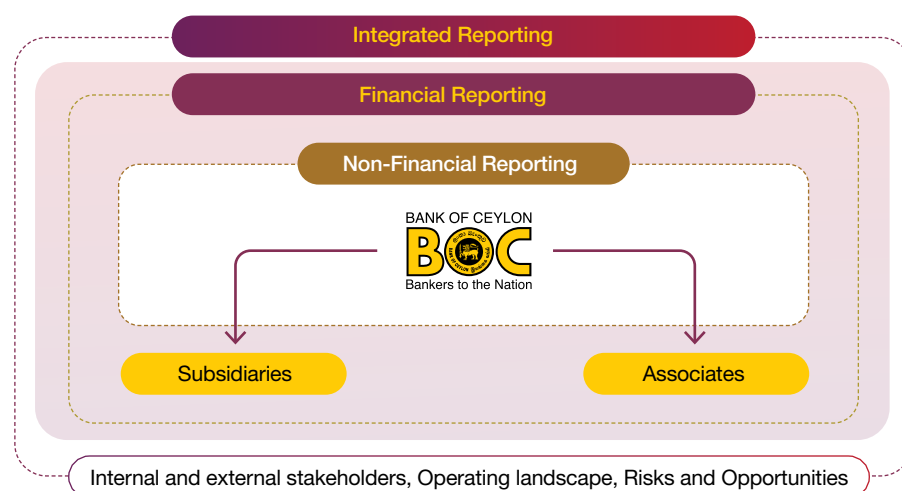
The Report covers the domestic and overseas operations of the Bank of Ceylon ("BoC" or "the Bank") and its subsidiaries (collectively referred to as "the Group") for the period from 1 January 2020 to 31 December 2020. This Report has been prepared in accordance with the GRI standards; core option.

Financial and non-financial information:

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 scope of the Integrated Report extends beyond the Bank's operations to include external stakeholders, trends in the operating landscape and the Bank's broader impacts.

Bank of Ceylon

Annual Report 2020



Reporting Improvements

- Adoption of new revisions of the <IR> Framework
- Adoption of new GRI Standard- Tax
- Increased use of connected performance drivers
- Connectivity to strategic priorities through icons
- Disclosures on the implications of COVID-19 to strategy, operations and performance

Our Integrated Annual Report

Frameworks and Assurance

Reporting framework/ regulation	Integrated Reporting	Sustainability Reporting	Financial Statements	Corporate Governance
Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)			✓	
<IR> Framework	✓	✓		
GRI Standards-In Accordance 'Core' Criteria		✓		
ESG Reporting Framework of the Colombo Stock Exchange (CSE)	✓	✓		
Gender Parity Reporting Framework of CA Sri Lanka	✓	✓		
Bank of Ceylon Ordinance No. 53 of 1938 and amendments				✓
Banking Act No. 30 of 1988 and subsequent amendments				✓
Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2017)				✓
Listing Rules of the Colombo Stock Exchange				✓
Guidelines issued by the Central Bank of Sri Lanka (CBSL) and CSE listing requirements on Financial Statements and other disclosures for Licensed Commercial Banks			✓	
Assurance of information and reporting				
External Assurance	Certain information extracted from the audited financial statements	GRI Reporting disclosures audited by Messrs. Ernst & Young Chartered Accountants	National Audit Office	National Audit Office

Reporting Changes

We adopt an annual reporting cycle and the Bank's previous report for the year ending 31 December 2019 is available for download at www.boc.lk. During the year, there were no significant changes to the Bank's size, structure or supply chain nor were there any material restatements of financial and non-financial information presented.

Feedback



We are committed to consistently enhancing the readability and relevance of our reporting and we welcome your suggestions and comments on our Annual Report. Please direct your feedback to,

dgmfp@boc.lk



Scan the QR Code with your smart device to view this report online.



www.boc.lk





SUPPORTING STRESSED SECTORS FOR BUSINESS REVIVAL

Moratoriums during the year (Based on CBSL directions)					Bank's own moratorium
Moratorium for businesses affected by COVID-19 1st wave	Moratorium for businesses affected by COVID-19 2nd wave	Tourism sector moratorium	Credit support for SME Sector	Extension of Easter Sunday moratorium	Moratorium scheme for BoC customers who are not covered under CBSL directed moratoriums

Quantum of moratorium granted LKR 589.4 billion ↓ 258,620 facilities	Largest lender under the "Saubagya" Renaissance facility LKR 39.1 billion ↓ 18,589 facilities	Facilities rescheduled LKR 9.9 billion ↓ 1,227 facilities	Bank's own moratorium LKR 3.6 billion ↓ 3,411 Facilities

2020 in Review

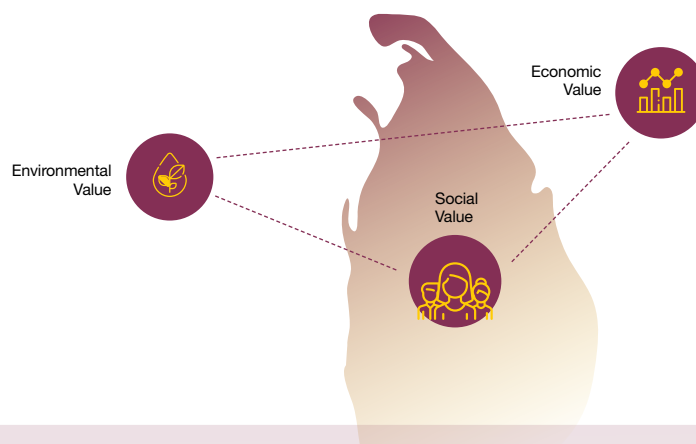
Performance Highlights

It was a year of extraordinary challenges, characterised by a slowdown in economic activities, persistently low interest rate regime and a deterioration of portfolio quality. Against this backdrop, BoC was called upon to lead the country's economic revival through offering debt moratoriums and concessionary facilities to customers by capitalising on opportunities created by the low interest rate regime which in turn affected financial performance.

	Bank			Group		
	2020	2019	Change %	2020	2019	Change %
Results of Operations (LKR million)						
Total income	247,164	239,116	3.4	252,756	248,692	1.6
Net interest income	74,776	75,146	(0.5)	77,203	78,295	(1.4)
Profit before taxes on financial services	29,010	40,206	(27.8)	27,627	41,478	(33.4)
Profit before tax	23,552	29,685	(20.7)	22,246	30,676	(27.5)
Profit after tax	17,765	23,098	(23.1)	16,307	23,747	(31.3)
Value to the Government	15,556	18,144	(14.3)	15,709	19,626	(20.0)
Financial Position (LKR million)						
Total assets	2,982,981	2,415,117	23.5	3,024,774	2,462,484	22.8
Gross loans and advances	2,115,205	1,648,761	28.3	2,148,747	1,682,589	27.7
Loans and advances net of provisioning for impairment	1,988,409	1,549,805	28.3	2,018,394	1,580,949	27.7
Deposits due to customers	2,474,775	2,005,212	23.4	2,493,110	2,025,204	23.1
Total liabilities	2,826,322	2,272,834	24.4	2,855,817	2,307,488	23.8
Total equity	156,659	142,283	10.1	168,957	154,996	9.0
Per Share Data (LKR)						
Basic earnings per share	711	972	(26.9)	674	987	(31.7)
Net assets value per share	6,266	5,691	10.1	6,708	6,128	9.5
Performance Ratios (%)						
Return on average assets	0.9	1.3	(0.4)	0.8	1.3	(0.5)
Return on average equity	11.9	16.8	(4.9)	10.1	16.0	(5.9)
Interest margin	2.8	3.2	(0.4)	2.8	3.3	(0.5)
Cost to income	37.0	37.3	(0.3)	39.4	39.6	(0.2)
Loans to deposits	85.5	82.2	3.3	86.2	83.1	3.1
Debt to equity	35.4	34.7	0.7	-	-	-
Impairment provision as a percentage of gross loans and advances	6.0	6.0	0.0	6.1	6.0	0.1
Statutory Ratio (%)						
Liquid assets ratio (Domestic) (minimum requirement 20%)	26.6	24.6	2.0	-	-	-
Liquidity coverage ratio (LKR) (minimum requirement 2020 - 90%, 2019 - 100%)	190.0	188.2	1.8	-	-	-
Liquidity coverage ratio (All currency) (minimum requirement 2020 - 90%, 2019 - 100%)	137.0	125.6	11.4	-	-	-
Capital Adequacy Ratios (%)						
Common Equity Tier I Capital	10.1	11.2	(1.1)	10.2	11.4	(1.2)
(Minimum requirement- 2020- 7.50%, 2019- 8.50%)						
Tier I capital	11.2	11.2	0.0	11.3	11.4	(0.1)
(Minimum requirement- 2020- 09.00%, 2019- 10.00%)						
Total Capital	14.9	15.6	(0.7)	14.9	15.7	(0.8)
(Minimum requirement- 2020- 13%, 2019- 14%)						

Non-financial Highlights

The conditions that prevailed during the year, necessitated a focus on proactively balancing stakeholder interests and allocating resources accordingly. Against the backdrop, the Bank placed priority on supporting the needs of its customers and ensuring their survival during the crisis.



Economic Value

	2020	2019	Change %
Value creation to Government (LKR million)	15,556	18,144	(14)
Loans disbursed under “Saubagya” COVID-19 Renaissance (LKR million)	39,105	N/A	N/A
Export income facilitated (LKR million)	173	220	(21)
Inward remittances facilitated (USD billion)	2.8	2.7	4
Branches outside Western Province (No.)	446	445	0.2

Social Value

Employee Value

	2020	2019	Change %
Total employees (No.)	8,479	8,503	(0.3)
Female representation (%)	60	60	-
Attrition rate (%)	0.4	0.8	(0.4)
Promotions (No.)	383	821	(53)
Investment in training (LKR million)	51	233	(78)
Remuneration per employee (LKR million)	1.8	1.9	(5)
Value addition per employee (LKR million)	2.1	2.2	(4)

Customer Value

Moratoriums granted (LKR million)	589,391	N/A	N/A
Moratoriums granted (No.)	258,620	N/A	N/A
“Saubagya” Working Capital Renaissance (LKR million)	39,105	N/A	N/A
“Saubagya” Working Capital loans granted (No.)	18,589	N/A	N/A
Customer contact points (No.)	2,001	1,880	6
Growth in loans and advances granted (LKR million)	466,444	138,227	237
Facilities rescheduled (LKR million)	9,927	6,544	52

Community Value

Investment in CSR (LKR million)	75	68	10

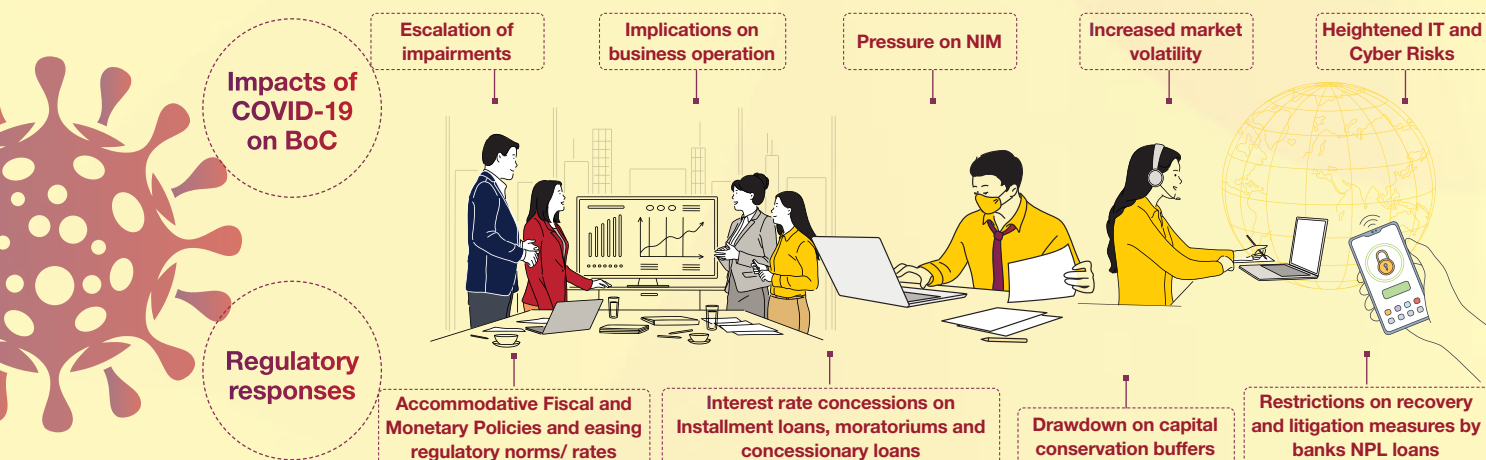
Environmental Value

	2020	2019	Change %
GHG emissions Scope 1 (tons CO ₂ eqv)	2,171	3,146	(31)
GHG emissions Scope 2 (tons CO ₂ eqv)	9,333	12,670	(26)
GHG emissions Scope 3 (tons CO ₂ eqv)	5,268	N/A	N/A
GHG emissions Scope 4 (tons CO ₂ eqv)	826	N/A	N/A
Solar power generation (Mwh)	2,122	1,341	58
Fuel usage (Litres)	420,337	830,420	(49)
Electricity consumption (Mwh)	18,514	21,677	(15)

Implications and Response to COVID-19

The disruptions and consequences of COVID-19 have been extensive and far reaching with its human toll, restrictions on mobility, market volatility and sharp downturn in consumer sentiments having wide ranging impacts on the economy and banking sector. As economic conditions gradually return to normalcy, effectively managing the short, medium and long-term risks stemming from the pandemic and embracing the new realities of the post-pandemic world will be vital in ensuring organisations' resilience.

The implications of COVID-19 on the Bank's operations and our response in addressing these challenges are summarised below:



BoC's response: During the lockdown which followed the first wave of COVID-19 infections in Sri Lanka, banking was declared as an essential service. BoC was also requested to ensure that at least one branch per Divisional Secretariat area remained opened to facilitate essential banking activities. As Sri Lanka's largest bank, BoC was also called upon to drive the country's economic revival, helping businesses to weather the crisis and support their recovery. Against this backdrop, ensuring the smooth continuity of operations was critical and the Bank swiftly adopted the following measures;

- Activation of Disaster Recovery Plan and Business Continuity Plan focusing on continued customer engagement, employee safety, resumption of business operations and maintain public confidence.
- Establishment of several Bank level business continuity management committees in addition to subcommittees at province and branch level.
- Migration of all critical back-office functions with separate teams at Head Office, business units and Branches to a dedicated Disaster Recovery Centre with the capacity to house 150 employees, thereby minimising employee interaction.

- Leverage on digital capabilities to drive increased digital adoption and engagement with customers and employees.

Given the conditions that prevailed, BoC placed strategic emphasis on identifying the critical needs of our diverse stakeholders and supporting them through this extraordinarily challenging period. A brief overview of our efforts is presented below and discussed in further detail in the relevant sections of this Report.

As Sri Lanka's largest bank, BoC was also called upon to drive the country's economic revival, helping businesses to weather the crisis and support their recovery.



Employees

Proactive and comprehensive measures to ensure the health and safety of our employees through providing transportation facilities, facilitating work rotation and remote working arrangements, implementing stringent hygiene practices and provision of all required Personal Protective Equipment (PPE).

LKR 23.9 million

Expenses on PPE

LKR 6.6 million

Expenditure on special logistical arrangements

LKR 7.9 million

Expenditure on thermometers

2,135 days

Quarantine leave granted



Customers

Driving revival of businesses through granting debt moratoria, access to concessionary loan schemes and halting litigation/repossession on non performing loans and on-boarding more customers to digital channels.

258,620

Loans facilities are under moratorium

LKR 9.9 billion

Facilities rescheduled/restructured

LKR 39.1 billion

"Saubagya" disbursements



Community

Ensuring the continuity of economic activity and cash circulation through facilitating salary payments, pension payments and contributions to "Samurdhi" beneficiaries, among others. The Bank also facilitated door-step banking by deploying mobile banking units across the Island.

10

Branch on Wheels deployed

40,717

People served via Branch on Wheels



Government

BoC played a leading role in driving the country's economic revival through supporting affected businesses, increasing lending to thrust sectors and facilitating foreign exchange inflows to the country which includes export businesses and worker remittances.

The Bank also contributed LKR 5.0 million to the COVID-19 Healthcare and Social Security Fund

LKR 25.0 million

Moratoriums granted to the tourism sector

USD 2.8 billion

Inward remittances facilitated



Customer Service by "Branch-on-Wheels"



Facilitate donations to "Itukama" COVID-19 Health care and Social Security Fund



From a strategic perspective, our key focus during the year was supporting both the private and Government sector through the crisis.



Kanchana Ratwatte
Chairman - Bank of Ceylon

Chairman's Message

In a year marked by challenging operating conditions, Bank of Ceylon reiterated its position as the undisputed market leader in Sri Lanka's banking sector, demonstrating its unparalleled ability to truly support its customers and the overall economy in trying times. As the country's leading financial intermediary, BoC was called upon to ensure continuity of business activity while supporting the country's economic revival, a role we embraced passionately and wholeheartedly. Against this backdrop, it is my pleasure and privilege to present to you the Annual Report and Audited Financial Statements of Bank of Ceylon for 2020.

The impact of COVID-19 on communities, businesses and Governments across the world have been far-reaching. Swift measures adopted by the Government to revive the economy through comprehensive and co-ordinated support measures have accelerated business recovery. Accordingly, multiple reductions in Policy Rates and the Statutory Reserve Ratio led to the continued decline in interest rates while comprehensive debt relief measures were introduced to aid affected businesses. Despite recessionary conditions in the country's key European export markets, policy thrust towards exports supported

the continued generation of foreign exchange income- a significant part of which was facilitated by BoC. Meanwhile, Government policy also focused on strengthening local manufacturing, which aimed to forex outflows through import substitution.

Following the lockdown during the first wave of infections in March 2020, banking was classified as an essential service and BoC in particular, was requested to open at least one branch per Divisional Secretariat area during the lockdown period, thereby ensuring uninterrupted service and continuity of essential banking transactions. Against this backdrop, our foremost priority was ensuring the safety of our employees and in addition to the guidelines recommended by the health authorities, we implemented stringent measures to minimise the risk of infection. This included providing transport facilities, special logistical arrangements for our own employees as well as outsourced employees and facilitating work-from-home arrangements. The Bank also launched a special paid quarantine leave scheme for employees and medical coverage for COVID-19 related hospitalisation thereby ensuring their financial security in the event of infection.

From a strategic perspective, our key focus during the year was supporting both the private and Government sector through the crisis. Being in the forefront in extending moratoriums for the affected businesses and individuals, BoC has extended moratoriums for facilities amounting to more than LKR 589.4 billion. The moratoriums were extended under four schemes targeting businesses affected by COVID-19, the tourism sector and the SME sector, while extending the moratoriums granted in the previous year for businesses affected by the Easter Sunday attacks. In addition, the Bank also granted its own moratorium scheme for customers who were not eligible for the CBSL-mandated moratoriums, thereby extending broad-based support to businesses and individuals across customer segments. BoC also emerged as the leading lender under the "Saubagya" concessionary loan scheme announced by the Central Bank, disbursing LKR 39.1 billion of working capital financing through 18,589 facilities.

A key milestone in 2020 was the launch of the "Divi Udana" scheme, which aimed to empower and revive the country's SME sector through a basket of 24

loan schemes targeting critical industry sectors such as agriculture, fisheries, animal husbandry and exports, among others. Through this unique, multi-faceted proposition, the Bank disbursed over LKR 128.0 billion to the SME sector- the backbone of Sri Lanka's economy and engine of growth. Targeted lending to the agriculture sector including to the rice and maize segments, ensured food security despite restrictions on imports. The Bank's leadership team maintained proactive and close engagement with customers, even visiting regional businesses despite the restrictions that prevailed. In supporting affected businesses, the Bank also ceased all litigation and repossession efforts on non-performing facilities while a dedicated 'Business Revival Unit' was formed to support businesses through facility restructuring, debt relief and business advisory services.

The Bank also played a critical role in ensuring the smooth functioning of Government activities during the crisis. In addition to continued lending to the Government, state-owned enterprises and large-scale infrastructure projects, we also ensured the uninterrupted payment of salaries to Government sector employees and provision of special subsidy schemes to key economic sectors. The Bank also facilitated the import of essential healthcare equipment and medicines through the Trade Finance Division and played a vital role in stabilising the Sri Lankan Rupee, through active participation in the foreign exchange market. We facilitated remittances of USD 2.8 billion during the year which amounted to 40% of total remittances into the country, leveraging our unparalleled reach and market leadership position in the remittance business to support the country's external position.

The pandemic also presented opportunities to rethink and reinvent our product and service propositions and the Bank sought to capitalise on these emerging dynamics swiftly and decisively. With customer mobility being restricted during the year, there was an

unprecedented and dramatic shift towards digital services and the Bank accelerated its digital journey to drive increased usage among customers. The Bank's proactive efforts resulted in its online and mobile banking subscribers increasing by 62% while transaction volumes increased by nearly 5-fold. Transactions conducted through our SmartPay app as well as through our Internet Payment Gateway have also recorded a significant increase during the year. Given our unparalleled customer penetration rate of 64%, we are cognisant of the role we can play in driving broad-based digital literacy across the country.

BoC raised LKR 15.0 billion through the issue of Additional Tier 1 bonds, both of which were oversubscribed, thereby demonstrating investor confidence and optimism in the Bank's growth potential.

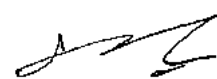
The conditions that prevailed during the year, underscored the critical importance of effective and adaptable leadership as well as robust governance practices. The Bank's strong policy frameworks and clearly defined procedures offered a solid foundation for navigating the complexities of the year. During the year, the Board focused on ensuring strategic agility given emerging developments and proactively monitoring the Bank's risk profile- particularly with regard to credit, operational and Cyber Security risks.

While cognisant of the short-term challenges that are likely to prevail, we remain confident that measures adopted by the Government will drive the country's economic revival over the medium term, positioning it for long-term sustainable growth. As Bankers to the Nation, BoC will continue to play its part in supporting this agenda, delivering multi-stakeholder value creation through a holistic and proactive strategy.

Acknowledgements

As we look to 2021 with renewed hope, I would like to take this opportunity to extend my deepest gratitude to His Excellency the President and the Honorable

Prime Minister for their continued guidance and direction. I also thank the Secretary to the President, the Governor and officials of the Central Bank of Sri Lanka and the Secretary to the Treasury for their valuable support in navigating the complexities of a challenging year. I extend my appreciation to my colleagues on the Board for their unwavering commitment during the year. My thanks and best wishes go out to Mr Hasitha Premaratne and Mr Lalith P Withana who resigned from the Board during the year. I also welcome Major General (Rtd.) G A Chandrasiri and Mr Jayampathy Molligoda who were appointed to the Board in recent months and look forward to working with them in the future. I am extremely proud of the untiring efforts of the BoC Leadership team and all its employees and trade unions who demonstrated remarkable commitment and dedication in supporting our customers. Finally, I would like to thank our valuable customers, business partners and other stakeholders for their continued loyalty and support.



Kanchana Ratwatte
Chairman

18 March 2021
Colombo



D P K Gunasekera
General Manager - Bank of Ceylon

General Manager's Review

“
As Sri Lanka's leading bank, BoC was called upon to ensure continuity of essential banking and economic activities while supporting the revival of affected businesses, a role we embraced with passion and commitment.
”

The magnitude of the economic, human and health impacts of the COVID-19 pandemic has been unprecedented, rendering 2020 one of the most challenging years in recent history. Many countries, including Sri Lanka have seen economic recession and disruptions to financial markets as well as comprehensive Government stimulus and support measures. As Sri Lanka's leading bank, BoC was called upon to ensure continuity of essential banking and economic activities while supporting the revival of affected businesses, a role we embraced with passion and commitment. As we absorbed the broad-based economic shocks of the pandemic and extended much-needed support to affected businesses, the Bank's financial performance was inevitably impacted, although the strength of our balance sheet and capital position have cushioned these impacts to a great extent. Despite these challenges, the Bank maintained its undisputed market leadership status and retained its position as the most valuable banking brand in Sri Lanka for 2020-Brand Finance, among Top 1000 Banks in the World – The Banker Magazine (UK),

among the most admired companies of Sri Lanka-2020 by the International Chamber of Commerce, CIMA and Daillyft and one of the Top 10 Best Corporate Citizens of the Country - Ceylon Chamber of Commerce.

Our 2020 Journey

The Bank quickly adapted to the new realities of the pandemic, activating its Business Continuity Plan and unifying as a team to ensure uninterrupted service to our customers and facilitating essential banking services across the Island. We established several business continuity management committees at Corporate, Province and Branch level ensuring consistency and congruence in the actioning of our pandemic responses. As summarised below and discussed in further detail in subsequent sections of this Annual Report, the Bank focused relentlessly on aiding customers and supporting the country's economic revival in very challenging circumstances.

Based on the expectations of our stakeholders, BoC identified several priority areas in which it could make the most significant contribution.

Continuity of essential banking services	Support for businesses to recover and grow	Role in stabilising macro-economic fundamentals	Driving financial inclusion
Ensured at least one branch per Divisional Secretariat remained open during the lockdown	Moratoriums of LKR 589.4 billion under various schemes as prescribed by the Central Bank of Sri Lanka (CBSL)	Active participation in the foreign exchange market, thereby stabilising the Sri Lankan Rupee	Lending to the country's most vulnerable sectors through the Bank's micro-financing initiative and Development schemes
Facilitated uninterrupted payment of Government employees' salaries, pension and subsidy payments	Introduced the Bank's own moratorium scheme for customers not eligible for the CBSL schemes	Raised foreign funding of more than USD 748.0 million	Ongoing investment in financial literacy programmes
Ensured all digital and virtual channels up and running	Disbursed of LKR 39.1 billion under the "Saubagya" COVID-19 Renaissance facility	Facilitating the inflows of export income and inward remittances	Promoting digital banking among the masses and thereby ensuring digital literacy even among rural communities
Deployed 10 mobile banking units across the Island to provide essential banking service to lockdown communities	Launched "Divi Udana" loan scheme for SMEs	Sustained reduction in lending rates	
Ensured continuous and undisrupted payment and settlement and trade finance operations	Formation of Business Revival Unit to help businesses by offering business counselling and facility restructuring	Ensure adequate cash circulation even during the lockdown period	
	Conducted customer awareness programmes across the Island		

An Evolving Strategy

The conditions that prevailed during the year required a rethink and refinement of the Bank's strategic agenda. While our long-term strategic objectives remained unchanged, we sharpened focus on five key strategic enablers, which we believe would be critical in navigating the complexities presented by the post-pandemic environment. The Bank made significant progress in each of these pillars as summarised below:

Customer Centricity

Our foremost priority in 2020 was supporting our customers through the crisis and as discussed previously, this was achieved through a range of debt relief measures and access to concessionary funding schemes. We continued to invest in enhancing customer propositions through offering timely credit schemes and lending products. The pandemic led to a dramatic shift to digital banking and we capitalised on this opportunity by accelerating our digital journey through convenient, seamless and innovative offerings. The Bank also launched a state-of-the-art contact centre

featuring sophisticated integrated voice recognition technology to strengthen customer engagement. We leveraged our unmatched network of 646 branches to ensure uninterrupted service to customers during the lockdown period, thereby building brand loyalty and driving deeper customer penetration.

Digital Excellence

Strengthening digital capabilities remains a key medium to long-term objective, with investments of approximately LKR 5.9 billion directed towards digital infrastructure development over the last three years. Given our unparalleled customer reach, we are cognisant of the role we can play in driving digital literacy across customer segments and sought increased digital adoption during the year. Key milestones in 2020 included the launch of Sri Lanka's first dynamic QR for bill payments, value additions to Smart Pass Book and SmartPay and the launch of self-registration for online banking. It is noteworthy that our ATM, CDM, CRM network performed exceptionally well during the year, enabling customers to avail themselves on essential banking

services without interruption. Resultantly, the Bank made considerable progress in its digital journey, with total digital transactions increasing by nearly 8% during the year. Parallel emphasis was placed on automating processes and seven new workflows were implemented during the year, resulting in considerable improvements in efficiency and processing time.

Rewarding Credit Culture and Healthy Credit Portfolio

Preserving portfolio quality was extremely challenging during the year, reflecting the inevitable economic toll of the pandemic on businesses and households. In this environment, the Bank placed strategic focus on proactively engaging with customers through workshops, recovery clinics and awareness programmes, with the Corporate Management team engaging in regional visits despite the challenges that prevailed. Special emphasis was placed on supporting the SME sector, with over 2,000 SMEs reached through awareness and advisory programmes. Given the vital importance of strengthening the country's export sector,

General Manager's Review



While the Bank's financial performance was understandably impacted by the pandemic and the consequent challenges, it demonstrated resilience and agility given the conditions that prevailed. BoC's performance for the year attests to the responsiveness of its business model, the strength of its franchise and the relevance and timeliness of its strategy. The Bank recorded a commendable loan growth of 28%, reflecting its proactive efforts to direct funding towards priority and important sectors of the economy, businesses and households.



BoC also established Export Circle- a unique initiative offering a one-stop-shop for export customers providing a holistic proposition through both financial and non-financial support.

Building a High-Performing Team

The pandemic has resulted in dramatic shifts in the way people work and the role played by the BoC team in coping with these challenges has been extraordinary. Our employees quickly adapted to remote working conditions, increasing virtual connectivity and ensuring that customer needs were met without any disruption. Ensuring the health and safety of our employees was paramount, particularly during the lockdown period in which branches remained open. In addition to stringent health and safety standards, we provided transport and other logistical support to employees, even providing dedicated facilities and paid leave for employees undergoing quarantine. The Bank also increased virtual engagement to ensure employee morale was maintained in these trying times and continued to invest in skill development, shifting training programmes to digital platforms.

Stability, Governance and Sustainable Growth

As an organisation which operates beyond profitability objectives, sustainability is part of the BoC ethos and social and environmental consciousness is embedded into strategic decisions and day-to-day operations. The conditions that prevailed during the year, compelled us to curtail our community engagement activities, although long-term educational projects including "Hapana" and "Nanajaya" scholarships continued. Our environmental initiatives were also continued, as the Bank progressed on its commitment towards reducing its carbon footprint; accordingly, nine branches were converted to solar power bringing the total to 51 by end-December 2020. Through the BoC "Haritha Arana" initiative, the Bank has also committed to naturing 80,000 trees. It has planted over 100 hectares partnering with the Forest Department.

Given the significant shifts in the risk landscape, the Bank also took proactive measures to strengthening its risk management frameworks and practices with emphasis on credit risk, market risk and technology and cyber security risks. The increased thrust towards digital propositions has resulted in heightened vulnerabilities to cyber risks and BoC strengthened its IT risk framework (among others) through introducing a Vulnerability Management Policy, enhancing the security infrastructure and updating the Information Security Master plan.

Performance Overview

While the Bank's financial performance was understandably impacted by the pandemic and the consequent challenges, it demonstrated resilience and agility given the conditions that prevailed. BoC's performance for the year attests to the responsiveness of its business model, the strength of its franchise and the relevance and timeliness of its strategy. The Bank recorded a commendable loan growth of 28%, reflecting its proactive efforts to direct funding towards priority and important sectors of the economy, businesses and households. However, the growth in total income was limited to 3% due to the continuous decline in lending rates during the year, which together with increased focus towards concessionary lending led to a contraction in the Net Interest Margin. Non-fund based income of the Bank increased by 20% during the year, as the Bank managed to compensate the unexpected dip from fee income generated by trade finance activities through increase in transactional banking business and the Bank's foreign exchange gain of LKR 3.9 billion.

The Bank's performance was considerably impacted by a 68% increase in impairments which stemmed from the broad-based deterioration in portfolio quality, as well as the Bank's prudent approach in provisioning. In supporting customers, the Bank ceased all recovery efforts, halt litigation and repossession of assets of the Non Performing Loans



As always, BoC is aligned to the country's national development agenda and will continue to support key sectors including exports, local manufacturing and information technology among others.



but in line with accounting and regulatory requirements we accounted for expected losses. However, as economic conditions gradually return to normalcy, we anticipate credit quality to record gradual improvement, but will continue to engage proactively with customers through recovery clinics, awareness sessions and workshops in ensuring their commercial viability. Despite the weakening of credit quality, the Bank's gross NPL ratio of 4.8% was in line with the industry average of 4.9%.

Ongoing focus on cost efficiencies and automation resulted in the Bank's operating expenses declining by 1.8% during the year, a commendable achievement given increased costs that had to be incurred on strengthening health and safety measures. Resultantly, the Bank's operating profit after tax on financial services decreased by 21% to LKR 23.6 billion. Meanwhile changes in tax structures resulted in effective income tax rate declining during the year. Overall, the Bank's profit-after-tax fell by 23% to LKR 17.8 billion.

The rapid expansion in the loan book resulted in the Bank's total assets increasing by 23% to LKR 2,983.0 billion during the year. In line with this growth, BoC sought to strengthen its capital position and issued an Additional Tier 1 Bond of LKR 15.0 billion- thereby increasing its Tier 1 and Total Capital ratios to 11.2% and 14.9% respectively. It is noteworthy that both bond issues were oversubscribed, thereby attesting to the upside potential and investor confidence placed in the Bank. Deposit growth was healthy at 23%, reflecting a flight to quality as depositors pursued safe-haven investments in moderating economic conditions.

Balancing Stakeholder Interests

The year under review was one in which the Bank was compelled to effectively balance its often-competing stakeholder interests, in view of long-term value creation. For instance, the Bank as the industry giant did played an indispensable role in representing industry collaborations and voicing the industry concerns to the regulator with the intention of ensuring smooth implementation of various guidelines and directives issued by the regulator time by time under volatile market conditions. Further, our role in supporting our customers through absorbing the economic shock of the pandemic has led to a moderation in profitability, which in turn impacted shareholder returns. Given the conditions that prevailed during the year, however, a definitive decision was made to prioritise the needs of our customers and employees. Ensuring commercial sustainability of customers was given strategic priority while creating a safe and conducive work environment for employees were given parallel importance. We are confident that these efforts have strengthened brand loyalty and employee satisfaction, positioning the Bank for sustainable growth and holistic value creation in the medium to long-term.

Way Forward

We firmly believe that the worst of the pandemic is behind us and the successful roll-out of the vaccination drive and improved investor sentiments will support Sri Lanka's economic revival over the medium term. We are also confident that the Government's fiscal and monetary policy stance, together with its thrust towards strengthening exports and local manufacturing will provide

macro-economic stability, despite the Government's impending debt settlements in 2021 and beyond. As always, BoC is aligned to the country's national development agenda and will continue to support key sectors including exports, local manufacturing and information technology among others. Parallel importance will be placed on preserving portfolio quality, strengthening our balance sheet through internal capital generation and accelerating our digital journey further.

Acknowledgements

As we look forward to 2021 with renewed optimism, I would like to take this opportunity to thank the Chairman and the Boards of Directors for their continued support and counsel in a challenging year. The efforts of the Bank's Corporate and Executive Management team, as well as each and every BoC employee and trade unions have been nothing short of extraordinary and I extend my heartfelt gratitude for their unstinted support during the year. I also wish to thank the Minister of Finance and officials of the Ministry for their invaluable support. The Central Bank of Sri Lanka has been a guiding light during these unprecedented times and I wish to express my appreciation to the Governor and officials for their continued support. 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. Last but not least, I express my heartiest gratitude to our customers for being with us and placing utmost trust on us throughout their turbulent times and we believe that you will choose us as your partner in the growth in future as well.

D P K Gunasekera
General Manager

18 March 2021
Colombo

Board of Directors



➔ Left to Right

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

2 Major General (Rtd.) G A Chandrasiri RWP VSV USP ndc psc
Independent Non-Executive Director

3 Mr Jayampathy Molligoda
Independent Non-Executive Director

4 Mr Kanchana Ratwatte
Chairman
Independent Non-Executive Director

5 Mr A C Manilka Fernando
Independent Non-Executive Director

6 Mr G Harsha Wijayawardhana
Independent Non-Executive Director

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

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, Koladeniya Hydropower (Private) Limited, BoC Property Development and Management (Private) Limited and 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.

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.
- Commission member of Insurance Regulatory Commission of Sri Lanka.
- Commission member of the Securities and Exchange Commission of Sri Lanka.
- Visiting Consultant/ Lecturer of the Sri Lanka Institute of Development Administration (SLIDA).

Previous appointments:

- Chairman of National Savings Bank.
- Member of the National Medicine Regulatory Authority.
- Alternate 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.
- 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.

Mr Lalith P Withana

Independent Non-Executive Director

Date of appointment: 14 January 2020

Date of resignation: 08 December 2020

Skills and experience:

- Senior leadership experience with over 25 years' experience in leading corporate sector organisations in the Banking, Manufacturing and Trade sectors.
- Holds a Master of Business Administration (MBA) from the University of Sri Jayewardenepura and a Bachelor of Arts (BA) Hons. Degree from the University of Manchester Metropolitan, UK.
- Fellow Member of the Chartered Institute of Management Accountants, UK and the Institute of Chartered Accountants of Sri Lanka.
- Project Management Professional at the Project Management Institute (PMI), USA.

Other appointments:

- Chief Executive Officer of Sri Lankan Catering Limited.
- Co-Chairman of the Finance Committee of the National Olympic Committee of Sri Lanka.
- Vice President of the Project Management Institute, Sri Lanka Chapter.

Board of Directors

- Member of the Advisory Board for the School of Apparel Merchandising and Management at California State Polytechnic University, Pomona, USA.

Previous appointments:

- Non-Executive Director on the Boards of Bank of Ceylon, Dankotuwa Porcelain PLC, Merchant Bank of Sri Lanka and Finance PLC, Ceylease Limited and Seylan Bank PLC.
- Has also been a Commissioner of the Telecommunications 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.
- Chartered fellow of the British Computer Society.
- Has published several scientific papers and authored several books.

Other appointments:

- COO/ CTO of Theekshana (Affiliated Company of the University of Computing (UCSC)).
- Founding Director of LK Domain Registry.
- Director/ CEO of AMSOFT (Private) Limited.
- Co-Chairman of the Sinhala Generation Panel of ICANN.

Previous appointments:

Served on the Board of Directors of Lanka Government Information Infrastructure and has served as an ICT Consultant to the Telecommunications Regulatory Commission of Sri Lanka.

Mr Hasitha Premaratne

Independent Non-Executive Director

Date of appointment: 14 January 2020

Date of resignation: 08 December 2020

Skills and experience:

- A finance professional with wide ranging experience in the fields of capital markets, economics, strategic finance, management and research.
- Counting over 11 years of experience as a lecturer for Chartered Institute of Management Accountants (CIMA), UK and Association of Chartered Certified Accountants (ACCA), UK examinations in Sri Lanka, India, Singapore and Philippines.
- Holds a MBA in International Finance and a BSc in Computer Science.
- Fellow Member of the CIMA, ACCA and the Institute of Certified Management Accountants (CMA), Sri Lanka.

- Winner of the "Tutor of the Year Award" at the CIMA Global Financial Management Awards 2009 held in London during November 2009, Winner and Gold Medallist of the prestigious "CIMA Star of the year" award in 2012 and the Winner of the "Young CIMA Star of the Year" award in 2006.

Other appointments:

- Group Finance Director of the Brandix Group and leads the overall Finance function of the Group and is also responsible for strategy and Long Range Planning.
- Managing Director of Brandix India Apparel City and Director of several subsidiaries of the Brandix Group including Teejay Lanka PLC.

Previous appointments:

- Committee Member of the Ceylon Chamber of Commerce.
- Board Member of the Sri Lanka Accounting and Auditing Standards Board.

Mr A C Manilka Fernando

Independent Non-Executive Director

Date of appointment: 21 April 2020

Skills and experience:

- Banking, Strategy, Accounting and Finance professional with over 35 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.
- 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.

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 Visiting Lecturer at the Institute of Chartered Accountants, University of Colombo and other institutions.

Other appointments:

- Non-Executive Director of Softlogic Finance PLC

Major General (Rtd.) G A Chandrasiri RWP VSV USP ndc psc

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.
- Graduate from the National Defense College, India and Defense 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.
 - Principal Staff Officer at the Joint Operations Command Headquarters and Regimental Commander of the Sri Lanka Army Special Forces.
 - 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.
- 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.

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.

Ms Janaki Senanayake Siriwardane

Secretary, Bank of Ceylon/
Secretary to the Board

Profile is given on page 22.

Corporate Management



➔ *Seated*

Mr M J P Salgado, Ms W B P Rathnayake, Mr K E D Sumanasiri

➔ *Standing*

Mr Ruwan Bakmedeniya, Mr Sameera D Liyanage, Mr B K Gurusinghe, Mr D S Muthukudaarachchi,
Mr S Sivanjan, Mr Y A Jayathilaka, Mr G A Jayashantha



➔ Seated

Mr D P K Gunasekera, Mr W P Russel Fonseka, Ms Janaki Senanayake Siriwardane

➔ Standing

Mr W N P Surawimala, Mr H P K Silva, Mr E M Jayaratne, Mr R M N Jeewantha,
Mr M P Ruwan Kumara, Mr P M Liyanage, Mr M R N Rohana Kumara

➔ Left to Right

Corporate Management

Mr D P K Gunasekera

General Manager

(Appointed as the General Manager in June 2020)

(Acting General Manager from March 2020 to June 2020)

(Appointed to the Corporate Management in February 2013)

Skills and Experience

- Over 40 years' of experience in the Bank
- Expertise in Retail and Corporate Banking, Treasury, Money Market Operations and overseas branch operations.
- BSc degree in Business Administration (University of Sri Jayewardenepura), MBA (University of Southern Queensland, Australia), Associate Member of the Institute of Bankers of Sri Lanka, Postgraduate Diploma in Business and Financial Administration from the Institute of Chartered Accountants of Sri Lanka.

Mr W P Russel Fonseka

Chief Financial Officer/ Senior Deputy General Manager

(Appointed to the Corporate Management in March 2012)

Skills and Experience

- Over 30 years of experience in the Bank across its local and overseas operations, specialising in financial management, budgets and strategic planning.
- Experience in Retail Banking, International, 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.

Mr K E D Sumanasiri

Senior Deputy General Manager (Human Resource)

(Appointed to the Corporate Management in April 2013)

Skills and Experience

- Specialising in Retail Banking, Micro Finance, Corporate Finance, Learning and Development, Recoveries and Human Resource Management with over 30 years of experience in the Bank.
- BSc (Hons.) Degree in Business Administration (University of Sri Jayewardenepura), Management Development Programme for Key Management Personnel (Post Graduate Institute of Management), Special Management Course of higher Management and Public Policy for Business Leadership (Post Graduate 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.

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
- Over 24 years of experience in the Bank in Company Secretarial and Corporate Governance related functions.

- Bachelor's Degree in Law, MBA (Merit) from the University of Colombo.

Mr M J P Salgado

Deputy General Manager (Product and Banking Development)

(Appointed to the Corporate Management in July 2016)

Skills and Experience

- Over 30 years of experience in the Bank, specialising in digital transformations and adoption, product and banking development and province sales management.
- B.Com (Special) degree (University of Sri Jayewardenepura), Associate Member of the Institute of Bankers of Sri Lanka, Member of the AAT Sri Lanka and a Licentiate Certificate Holder of the Institute of Chartered Accountants of Sri Lanka.

Mr E M Jayaratne

Deputy General Manager (Retail Banking Range I)

(Appointed to the Corporate Management in August 2018)

Skills and Experience

- Over 38 years of multi-faceted experience in the Bank
- Expertise includes Retail and cross-border credit operation
- MBA from the University of Wayamba, Post Graduate Diploma in Bank Management (Institute of Bankers of Sri Lanka), Associate Membership of the Institute of Bankers of Sri Lanka.

Mr W N P Surawimala

**Deputy General Manager
(Corporate and Offshore Banking)**

(Appointed to the Corporate Management in August 2018)

Skills and Experience

- Over 29 years of experience in the Bank, specialising in Retail banking, Offshore banking, Recovery operations, cross-border operations and Corporate Banking.
- BSc (Special) degree in Public Administration (University of Sri Jayewardenepura), MSc in Management (University of Sri Jayewardenepura), Management Development Programme for Key Management Personnel (Post Graduate Institute of Management), Associate Member of the Institute of Bankers of Sri Lanka.

Mr Y A Jayathilaka

**Deputy General Manager
(Recovery Provinces)**

(Appointed to the Corporate Management in February 2020)

Skills and Experience

- Over 23 years of experience in the Bank specialising in Retail Banking, Treasury and Overseas operations, Project Management including major IT development projects, Product Development and Province Operations.
- BSc (Special) degree in Business Administration (University of Sri Jayewardenepura), Advanced Course in Strategic Management (Postgraduate Institute of Management), Diploma in Banking and Finance (Institute of Bankers of Sri Lanka), Associate member of the Institute of Bankers of Sri Lanka.

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 credit management in Retail Banking, Corporate Banking specialising in Credit Management, credit risk and operational aspects of Overseas Branches.
- BSc (Special) degree in Estate Management and Valuation (University of Sri Jayawardenepura).

Mr H P K Silva

**Deputy General Manager
(Sales and Channel Management)**

(Appointed to the Corporate Management in February 2020)

Skills and Experience

- Over 23 years of experience in the Bank in various capacities
- Specialising in Retail Banking, Marketing, Treasury, International Banking Operations and Finance and Planning.
- Bachelor of Business Administration specialised in Marketing (University of Ruhuna), Master of Business in Accountancy (University of Kelaniya), Postgraduate Diploma in Business Administration and an Associate Member of the 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 23 years of experience in the Bank.
- He is specialising in Retail Credit, SME, Treasury Operations and Assets and Liability Management, Risk Management and Corporate Credit including Offshore Operations, in various capacities.
- 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.

Mr R M N Jeewantha

**Deputy General Manager
(International, Treasury and Investment)**

(Appointed to the Corporate Management in September 2020)

Skills and Experience

- Over 18 years of Banking experience including 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.

Corporate Management

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 23 years.
- Expertise in corporate and retail credit and risk management and was instrumental in developing risk management policies as well as risk management 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 M P Ruwan Kumara

Deputy General Manager
(Finance and Planning)

(Appointed to the Corporate Management in September 2020)

Skills and Experience

- Over 18 years of experience in banking specialising in Financial Management, Strategic Planning, Investment Banking, Commercial Banking and Overseas Banking operations.
- BSc (Special) degree in Accountancy (University of Sri Jayewardenepura), MBA (Open University of Sri Lanka), Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Associate Member of Certified Management Accountants of Sri Lanka, Associate Member of the Institute of Bankers of Sri Lanka and Member of the Sri Lanka Institute of Directors (SLID).

Mr S Sivanjan

Deputy General Manager
(Support Services)

(Appointed to the Corporate Management in September 2020)

Skills and Experience

- Over 18 years of banking experience in retail branch operations, credit, recovery, development banking, microfinance and overseas operations
- BSc First Class Honors (University of Jaffna), MBA (University of Colombo) specialising in Marketing.

Mr B K Gurusinghe

Deputy General Manager
(Retail Banking Range II)

(Appointed to the Corporate Management in September 2020)

Skills and Experience

- Over 23 years of experience as a banking professional, with expertise in corporate banking, retail banking 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, Attorney-at-Law from the Sri Lanka Law College and membership in several organisations such as the Institute of Bankers of Sri Lanka and the Sri Lanka Bar Association.

Mr P M Liyanage

Chief Internal Auditor

(Appointed to the Corporate Management in December 2014)

Skills and Experience

- A finance professional with over 21 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 Ruwan Bakmedeniya

Chief Information Officer

(Appointed to the Corporate Management in June 2020)

Skills and Experience

- Over 25 years of expertise in the areas of digital transformation, tech-driven business growth, fintech, digital banking and Information Technology Investment Management, managing IT systems, technology implementations, software engineering, financial sector compliance and security and infrastructure and hardware deployments in the Banking, Financial Services and Insurance sectors in both local and multinational work settings representing Senior Corporate Management positions.
- MSc in Information Technology, ITIL certification in IT Service Management (ITSM), qualifications in Project Management and member of the British Computer Society.

Mr Sameera D Liyanage

Chief Marketing Officer

(Appointed to the Corporate Management in August 2020)

Skills and Experience

- Over 22 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.

Mr M R N Rohana Kumara

Designated Deputy General Manager

(Appointed to the Corporate Management in January 2021)

Skills and Experience

- Over 18 years of experience in the Bank including executive leadership roles in the areas of recovery, branch credit and project finance.
- He has contributed towards enhancing the credit skills of BoC employees through his role as a resource person of the Bank's Central Training Institute.
- BSc (1st Class) in Mathematics (University of Kelaniya), Diploma in Leadership (Northern Illinois University, USA) and Associate Member of the Institute of Bankers of Sri Lanka.



Scan the QR Code
with your smart device
to view the detail profiles online.

Executive Management



➔ **Mr M D A Karunaratne** - Assistant General Manager IT (Delivery Channels), **Mr A R F John Pulle** - Assistant General Manager (Risk Management), **Ms P P M Wijesekara** - Assistant General Manager (Credit Audit), **Ms A M R D Subasinghe** - Assistant General Manager (Development Banking)



➔ **Mr M D C Nilantha** - Chief Executive Officer (Bank of Ceylon (UK) Limited), **Mr L J Dissanayake** - Assistant General Manager (International), **Ms P N Gomes** - Assistant General Manager (Superannuation Schemes), **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 (Investment Banking)



➔ **Mr I S N Perera** - Assistant General Manager (Offshore Banking), **Ms S P C K Fernando** - Assistant General Manager (Corporate Credit), **Ms Zeena Ruwais** - Assistant General Manager (Budget Strategic Planning and MIS), **Mr K A D Wijayawardhena** - Assistant General Manager (Human Resources Operations), **Mr G K G Mahinda Bandara** - Assistant General Manager (North Central Province)



➔ **Ms D R C S Udayakumari** - Assistant General Manager (Province Sales Management), **Mr W A Upali** - Assistant General Manager (North Western Province), **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 (Uva Province), **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)

Executive Management



- ➔ **Mr S Aruna Kumara** - Assistant General Manager (Digital Products Promotion), **Ms S H M P Herath** - Assistant General Manager (Recovery Provinces), **Mr K A A Karunaratne** - Assistant General Manager (Southern Province), **Mr M T S A Perera** - Assistant General Manager (Product Development and Business Process Re-Engineering Project), **Ms S Pirapaharan** - Assistant General Manager (Accounting and Tax)



- ➔ **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), **Ms M K G I Keerthilatha** - Assistant General Manager (Province and Branch Audit), **Mr S B A M G S Arampath** - Country Manager (Malé), **Mr S P K Liyanage** - Assistant General Manager (Western Province North)



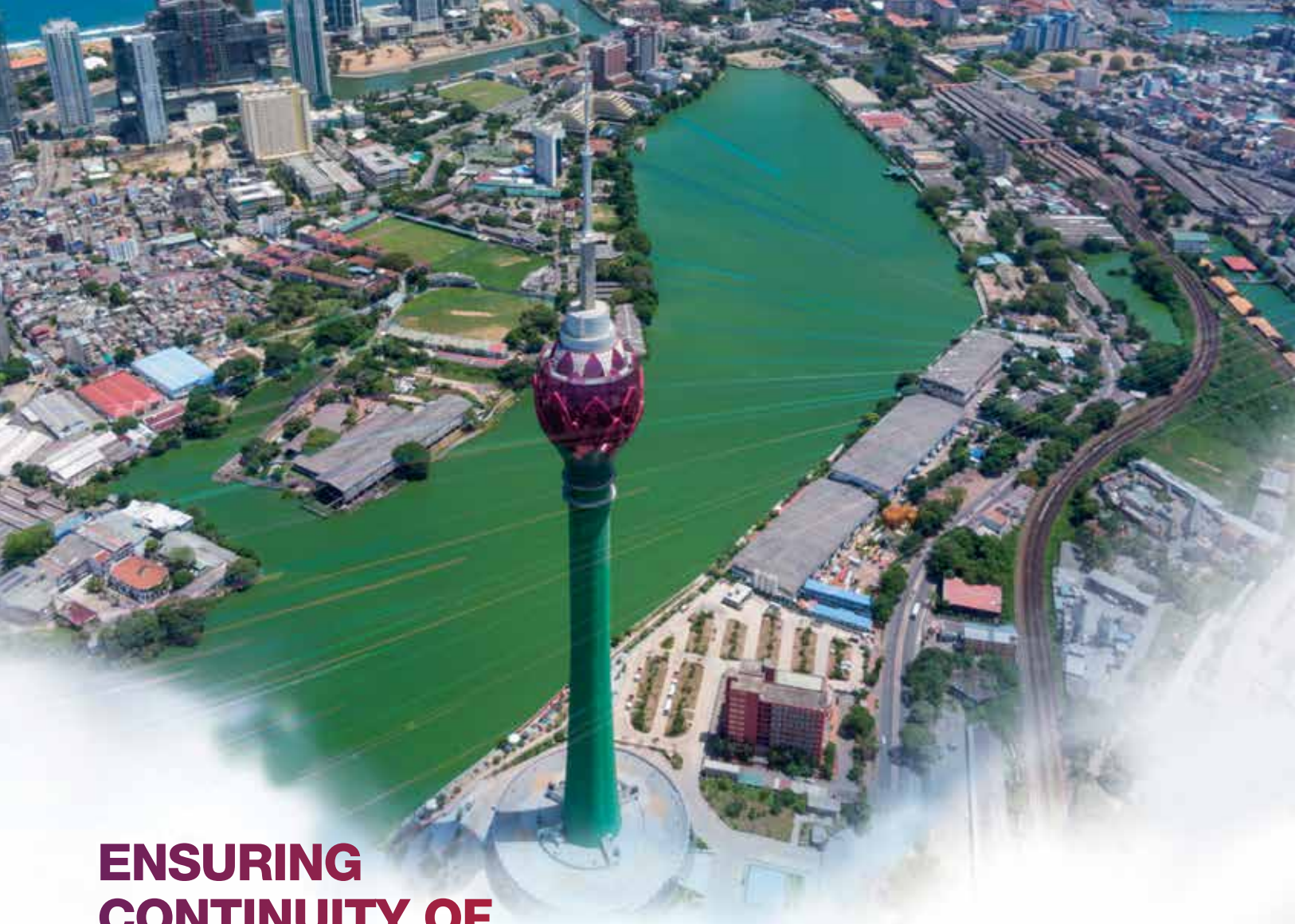
➔ **Mr S W M S Wijesinghe** - Assistant General Manager (Central Province), **Mr J K D Dharmapala** - Assistant General Manager (Branch Credit Range II), **Ms W K L B N Samanthie** - Assistant General Manager (Western Province South), **Mr R M Samarakkody** - Assistant General Manager (Investigations)



➔ **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 (Metropolitan Branch)



➔ **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** - Designated Assistant General Manager, **Ms W A G L Weerakkody** - Designated Assistant General Manager



ENSURING CONTINUITY OF BANKING SERVICES

Minimum of one branch per Divisional Secretariat area were kept open during 1st wave of the Pandemic.

All branches were kept open and functioning during the 2nd wave of the Pandemic, unless otherwise special instructions were received from health authorities to close the branch.

Average Debit card transactions facilitated per day

261,174

Average Over The Counter (OTC) transactions processed per day

1.9 million

Facilitate money circulations

10 Mobile banking units (Branch on wheels) deployed

Serving

40,717 persons

Facilitating salary and pension payments and subsidy payments made to “Samurdhi” and other beneficiaries.

Continuous operation of key services

Retail and Corporate Banking, Treasury, Trade Finance, Payments and Settlements

Cash circulation during COVID -19 period

LKR 550.0 billion

(March to December 2020)

BoC at a Glance

Overview of BoC

Bank of Ceylon is the undisputed leader in Sri Lanka's financial services sector, accounting for the banking industry's largest asset, deposit and advances portfolio, most extensive network of customer contact points and a customer penetration rate of 64%. As a fully-state owned, Domestic Systemically Important Bank and widely regarded as 'Bankers to the Nation' BoC is a vital element of the country's financial, economic and social landscape and has played an unparalleled role in driving Sri Lanka's economic growth, financial inclusion and socio-economic empowerment. The Bank has expanded to overseas locations through three branches in India, Maldives and Seychelles, a limited service branch in Hulhumale and a fully owned subsidiary in London, UK.

BoC's Profile

Financial Strength	Economic Impact	Our Relationships	Reach
LKR 2.9 trillion Assets	LKR 15.6 billion Value to the Government	14.1 million Customer relationships	2,001 Customer contact points
LKR 2.5 trillion Deposits	LKR 589.4 billion Loans under moratorium	8,479 Employees	582 Branches
LKR 2.1 trillion Loans and Advances	LKR 157.9 billion Lending to infrastructure projects	Coverage of all 25 districts	03 Overseas branches
LKR 247.2 billion Total income	LKR 786.4 billion Investments portfolio	64% Customer penetration rate	64 Limited-service branches
LKR 23.6 billion Profit before tax for the year	USD 2.8 billion Inward remittances facilitated	651 Correspondent relationships	633 Smart Zones
14.9% Total capital adequacy ratio	LKR 128.9 billion Disbursements to SME and Micro-finance sectors	24 Overseas representatives	1,489 School "sansada"
		10 Subsidiaries	15 SME centers
		4 Associates	991 Mobile school savings units

INTEGRATED SOLUTIONS

Retail Banking

Investment, lending and transactional products to individuals, SME and micro-enterprises across the Island.

LKR 898.7 billion

Loans and advances

LKR 1,681.7 billion

Deposits

Corporate and Offshore Banking

Investment, lending and transactional solutions to corporates, projects, Government and state-owned enterprises.

LKR 1,134.4 billion

Loans and advances

LKR 747.9 billion

Deposits

International, Treasury, Investment and Overseas

Fund management, financial investments foreign-currency related transactions, correspondent banking and overseas operations.

LKR 786.4 billion

Investment Portfolio

LKR 44.1 billion

Overseas Branches - Loans and advances

BoC at a Glance

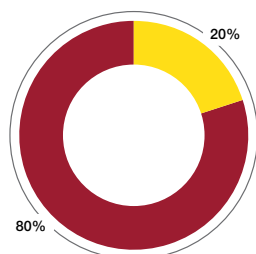
Market Position

BoC's is the largest bank in Sri Lanka as measured by assets, deposits, loans and advances and earnings. The Bank's competitive edge is underpinned by its established track record of over eight decades, its extensive branch reach and attributes of trust and stability associated with the BoC brand. As at end-December 2020, the Bank accounted for over 20% of the industry's assets, loans and advances and deposits.

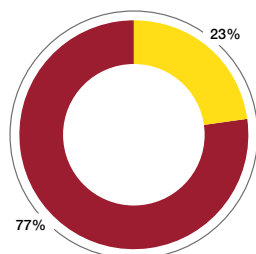
Province Wise Total Customer Touch Points

Province	Branches	Limited Services Branches	Mobile Branches	ATM/ CDM/ CRM	SME Centers
Central Province	65	7	1	144	2
Eastern Province	55	3	1	82	1
North Central Province	50	3	1	115	1
Nothern Province	63	6	1	94	1
North Western Province	57	4	1	133	2
Sabaragamuwa Province	49	2	1	112	2
Southern Province	65	3	1	152	3
Uva Province	42	3	1	94	2
Western Province North	60	9	1	171	1
Western Province South	66	9	1	205	-
Corporate and FCBU	10	15	-	28	-
Total	582	64	10	1,330	15

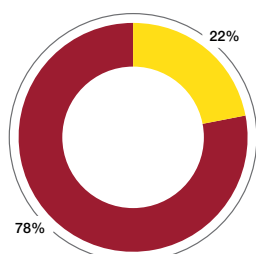
Assets



Gross loans and advances

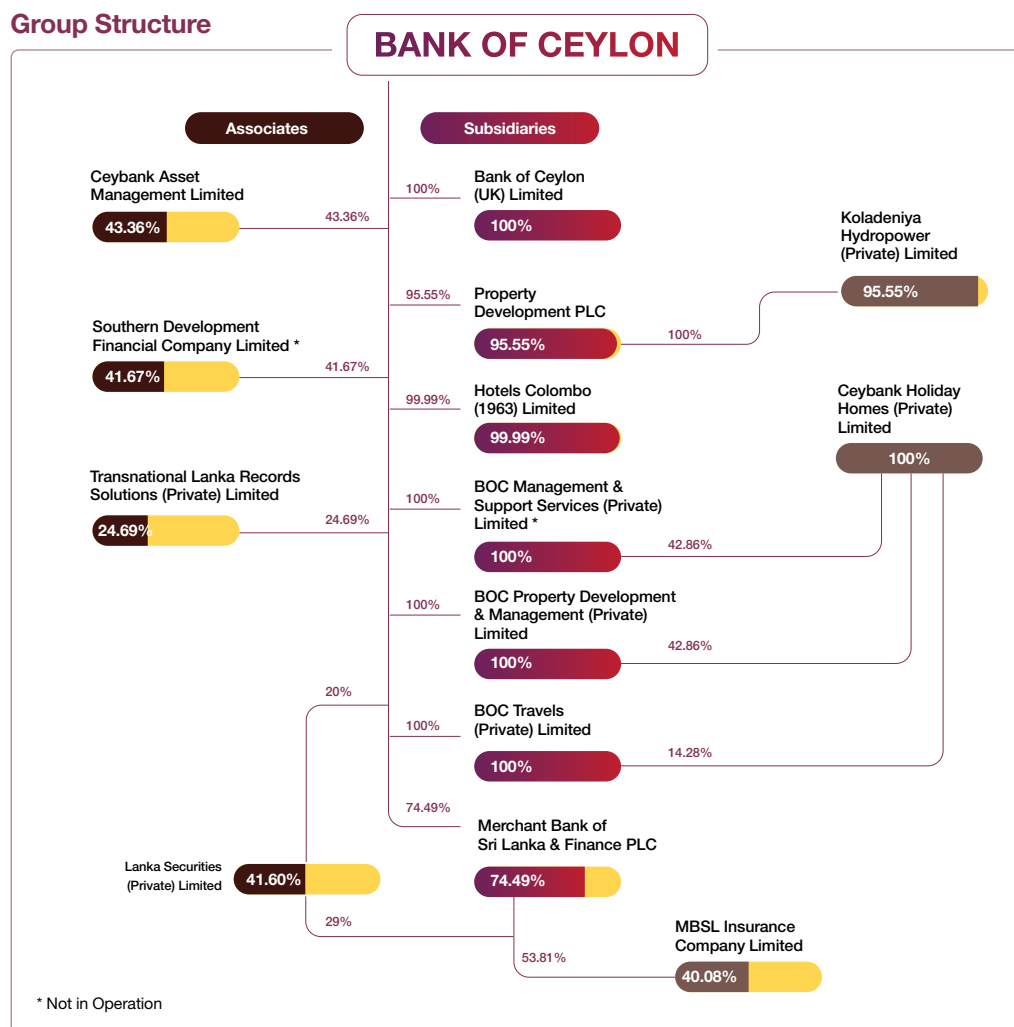


Deposits



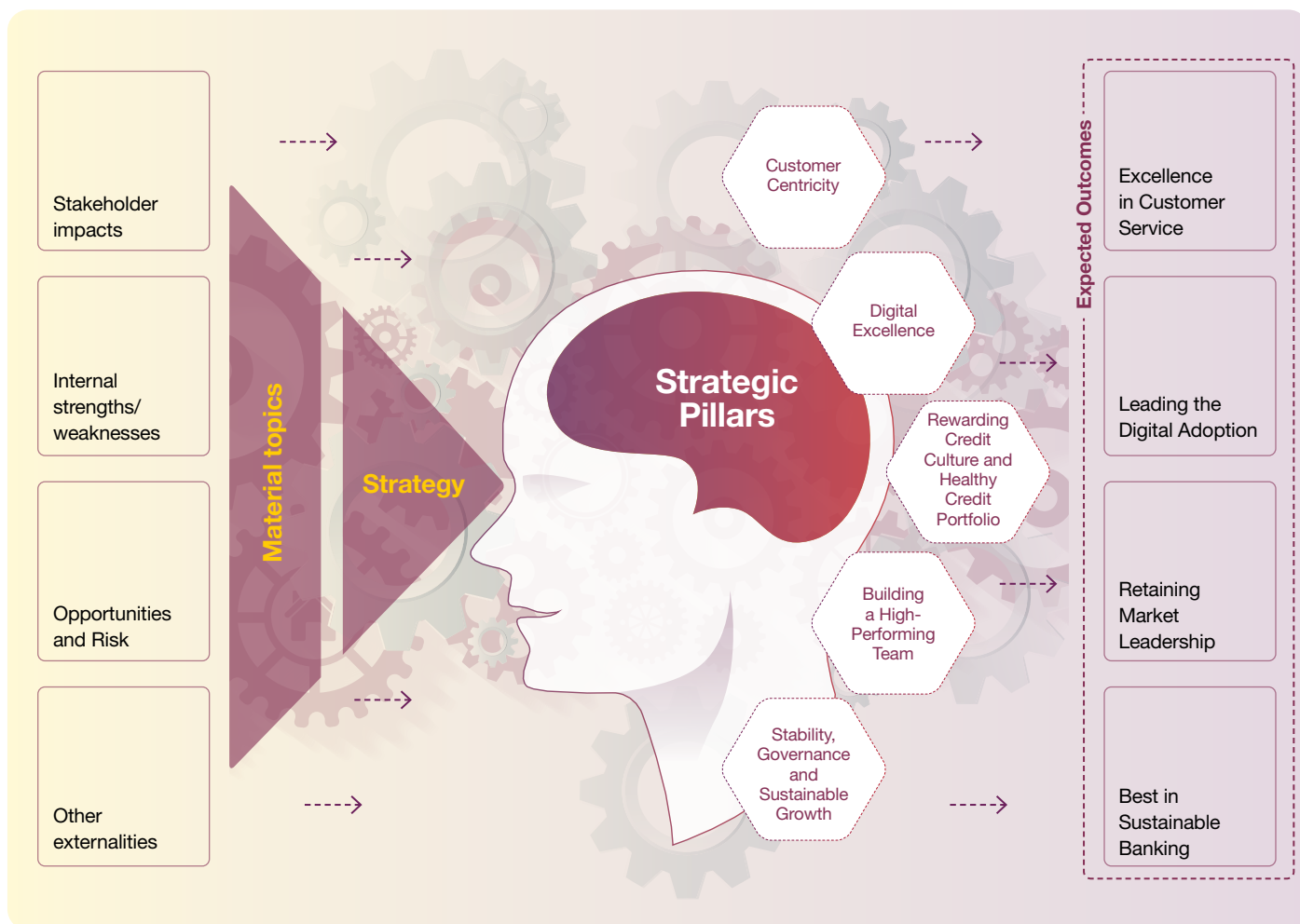
● BoC ● Other Banks

Group Structure



Integrated thinking at BoC

While the Bank's extensive reach and depth of operations positions it to drive significant socio-economic benefits, it also exposes the Bank to considerable risks which fall beyond the scope of traditional financial risk management. Given the increasing prevalence of socio-environmental risk factors, the Bank has sought to embed integrated thinking in its strategy and operations thereby ensuring that external risk factors and stakeholder considerations are duly identified and addressed. The Bank's approach to integrated thinking and how it connects to the Integrated Report is demonstrated below:



1 Material Topics

Material topics represent the issues that are most relevant to our stakeholders and could potentially have a significant impact on the Bank's ability to create value. Material topics are determined following a systematic process, which is explained in further detail on page 37 of this Report.

2 Strategy Formulation

The Bank's strategy formulation ensures that all material topics are considered and addressed.

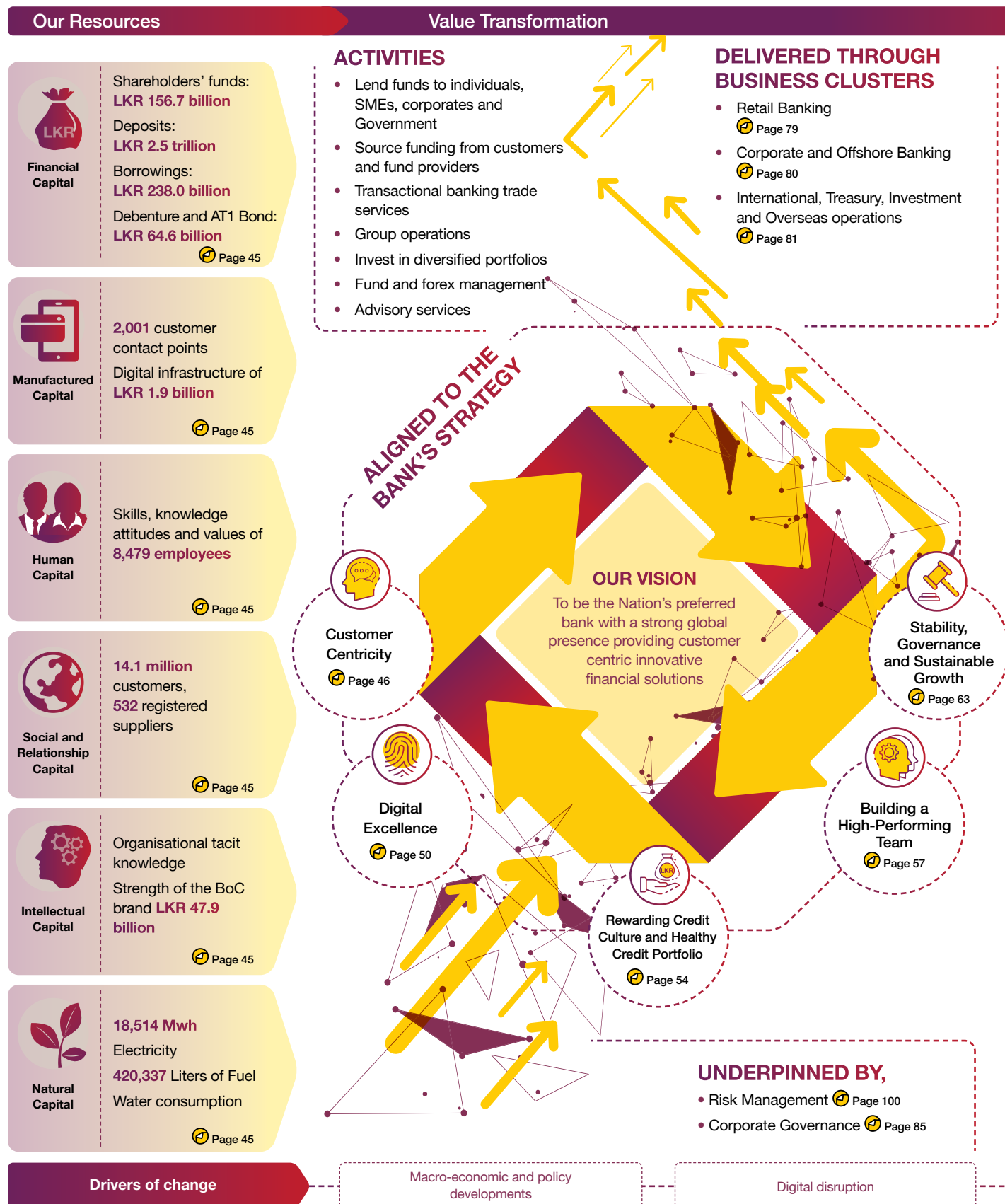
3 Strategic Pillars

BoC's strategic agenda clearly sets out the action plan required to achieve the Bank's long-term outcomes.

4 Expected Outcomes

These reflect the long-term outcomes which BoC aspires to deliver and its value creation commitments to its diverse stakeholders.

Value Creation Model



Outputs

LKR 226.3 billion

Interest income

LKR 14.3 billion

Fee and Commission income

LKR 2,115.2 billion

Loan portfolio

LKR 1.7 trillion

Transactions processed

Other Outputs/ Impacts

LKR 50.8 million

Investment in staff training

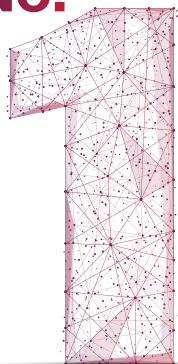
LKR 75.3 million

Investment in communities

17,620.0 Tons CO₂eqv.

Discharge of carbon emissions

No.



Excellence in Customer Service

Leading the Digital Adoption

Retaining Market Leadership

Best in Sustainable Banking

Outcomes

Financial Capital

- + **LKR 31.6 billion** economic value added **59%**
- Profit for the year: **LKR 23.6 billion (-21%)**
- **LKR 15.6 billion** Value allocation to Government **(-14%)**



Manufactured Capital

- + Increased customer accessibility
- + Increase in digital transactions **8%**
- + Process efficiencies



Human Capital

- + Competitive remuneration, equitable treatment, opportunities for skill and career development in a conducive environment
- **LKR 18.2 billion** value to employees **(-1%)**
- Exposure to health and safety risks given the prevalent conditions



Social and Relationship Capital

- + Stronger customer relationships through supporting business revival
- + Mutual expansion to business partners
- + Ongoing value addition to communities



Intellectual Capital

- + Economic, Social and environmental consciousness embedded in organisational thinking, aligning with SDGs
- + Strong governance structure



Natural Capital

- + Lending towards renewable energy projects
- + Propagating sustainability through ESMS criteria
- Environmental effects of our operations



Value Transformation at BoC

Resource Inputs: As a financial intermediary, BoC's primary purpose is to bridge the funding requirements of individuals and businesses with depositors/funding providers who have excess funds for investment. In achieving this objective, the Bank relies on the relationships it has nurtured with its customers and business partners. Financial resources in the form of equity, borrowings and customer deposits are utilised in disbursing funding to borrowers. This process is powered by the BoC staff who serve across the Bank's extensive network of customer contact points.

Value Creation: The Bank's key business activities of lending, mobilising deposits investing, transactional banking and other services are delivered through the three key business verticals. Operations and actions are guided by the Bank's strategic priorities which have been formulated in view of the Bank's stakeholder commitments and long-term aspirations. This transformation process is underpinned by 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. Outcomes are positive and negative consequences stemming from the outputs and business activities; in our value creation model these are expressed from a stakeholder perspective.

Icon Guide

Strategic Priorities



Sustainable Development Goals

- S** Shareholder
- CU** Communities
- CO** Customers
- E** Employees
- BP** Business Partners

- + Positive outcome
- Negative outcomes

Generational differences

Climate change and environmental factors

Value Added Statement

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

	2020 LKR million	2019 LKR million	Change %
Value Added			
Income earned by providing banking services	243,619	235,632	3
Cost of Services	(148,412)	(139,721)	6
Value added by banking services	95,207	95,911	(1)
Non - banking income	3,545	3,485	2
Impairment charges for loans and other losses	(31,232)	(18,598)	68
Value Addition	67,520	80,798	(16)
Value Allocation			
To Employees			
Salaries, Wages and Other Benefits	18,190	18,365	(1)
To Government			
Dividends paid to Government of Sri Lanka	1,596	346	361
Income Tax	8,502	7,277	17
Taxes on financial services	5,458	10,521	(48)
	15,556	18,144	(14)
To Community			
Social responsibility projects	75	68	10
To Providers of External Funds			
Interest on other borrowings	9,554	12,341	(23)
Interest on subordinated liabilities	6,436	6,114	5
	15,990	18,455	(13)
To Expansion and Growth			
Retained Profit	16,168	22,752	(29)
Depreciation and amortisation	4,255	3,704	15
Deferred Taxation	(2,714)	(690)	293
	17,709	25,766	(31)
Total value allocated	67,520	80,798	(16)

Economic Value Added (EVA)

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.

	2020 LKR million	2019 LKR million
Invested Capital		
Average Shareholders' funds	149,471	137,226
Add: Cumulative impairment provision for loans and other losses	126,796	98,956
	276,267	236,182
Return on Invested Capital		
Profit after taxation	17,765	23,098
Add: Impairment provision for loans and other losses	31,232	18,598
Less: Loans written off	(1)	(94)
Total return on invested capital	48,996	41,602
Opportunity cost of invested Capital*	(17,404)	(21,729)
Economic Value Added	31,592	19,873
	6.30%	9.20%

*Calculated based on weighted average 12 months Treasury bill rate 2020 - 6.30% (2019 - 9.20%)

Material Matters

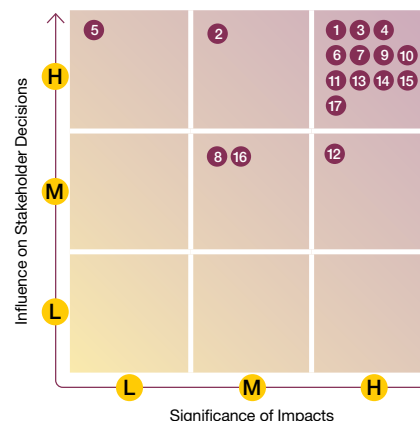
The Bank's annual materiality assessment reveals the internal and external issues that matter most to our stakeholders and potentially have the most significant impact on our ability to create value.

These topics represent issues that are critical to our strategy and operations as well as factors stemming from our economic and industry landscape; the sustainability topics are guided by the material topics prescribed by the GRI Standards. The Bank's process for determining material topics is presented alongside.

The Bank's material topics for 2020 reflect the unprecedented operating conditions that prevailed during the year and include the following changes:

- Addition of two new material topics-
(1) Customer support and business revival
(2) Employee health and safety
- Addition of new GRI Standard- GRI 207-Tax (2017) under Regulatory environment, Governance and compliance
- 'Macro-economic and policy trends' elevated in materiality given the increasing complexities and uncertainties in the macro-economic environment.

Accordingly, the Bank's material topics for 2020 are presented below. Disclosures required under the GRI guidelines are presented in Appendix A.

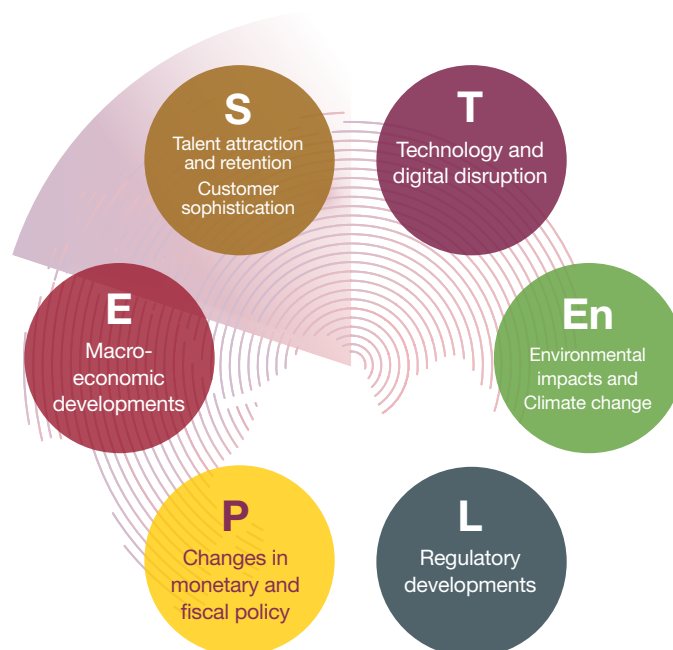


Relevant material topic and corresponding GRI topic	Why this topic is material to us	Reference to Management Approach
1. Customer support and business revival	As the largest bank in the industry, we are cognisant of our responsibility in leading the country's economic recovery through supporting affected businesses	Credit Policy
2. Employee health and safety GRI 403	Given the escalation in health and safety risks following the outbreak of the pandemic, ensuring employee safety has emerged as a critical concern.	HR Policy
3. Macroeconomic and policy trends	Monetary and fiscal policy is playing a key role in stimulating economic activity	Ongoing monitoring through Research Unit
4. Talent management and Labour -relations GRI 401, GRI 402, GRI 404 GRI 407	Employees are vital in driving our strategy and are one of our most valuable assets, underscoring the importance of managing employee related issues effectively.	HR Policy
5. Diversity and equal opportunity GRI 405	We are committed to creating a diverse and inclusive workforce in which employees can thrive.	HR Policy
6. Customer experience	As competition in the industry intensifies, transforming the customer experience through innovative channels and products is a key priority for the Bank.	CBSL Customer Charter
7. Customer privacy and data security GRI 418	Increased thrust towards digitisation has heightened vulnerability to customer privacy and security issues, thereby requiring organisations to strengthen IT security frameworks.	CBSL Customer Charter Communication Policy
8. Responsible banking GRI 417	We understand the important role we can play in driving social and environmental consciousness through responsible lending decisions.	CBSL Customer Charter
9. Financial performance	Critical in ensuring our commercial sustainability and continued value generation to stakeholders	Credit Policy
10. Socio-economic contribution and financial inclusion GRI 201, GRI 202, GRI 413, GRI 203	Given our unparalleled geographical footprint, we are in a strong position to drive financial inclusion and socio-economic empowerment across the island.	Sustainability Policy
11. Regulatory environment, governance and compliance GRI 207, GRI 419, GRI 307	A strong compliance culture and robust corporate governance practices underpins our value creation process.	Compliance Policy
12. Responsible procurement GRI 204 GRI 406	We engage with a large base of suppliers and ensure responsible practices in procurement propagation of sustainable practices.	Procurement Policy
13. Bribery and anti-corruption GRI 205	As a state-owned entity, nurturing a culture of anti-bribery and anti-corruption is vital in the responsible creation of shared value.	Anti-corruption and Anti- Bribery Policy Whistle Blowing Policy
14. Labour rights (outsourced/contract) GRI 408 GRI 409	BoC is committed to preserving the dignity of labour and providing a conducive work environment for all outsourced and contract employees engaged by us.	HR Policy
15. Digitalisation and technology	Driving digital excellence is a key strategic aspiration and we have continued to invest funds in enhancing our digital capabilities.	Cyber Security Risk Framework
16. Climate change and environmental footprint GRI 302 GRI 305	As a responsible corporate citizen, we are cognisant of the environmental impacts of our operations and are committed to consistently reducing our environmental footprint.	Sustainability Policy ESMS Policy
17. Brand reputation	Consistently ranked as Sri Lanka's No.1 brand, the BoC brand is a key source of competitive edge, underpinning our strong market position.	Marketing Policy

Operating Environment, Opportunities and Risks

The Bank's material topics are informed by emerging opportunities and threats in the external landscape and ongoing assessment of these trends enables us to proactively leverage these opportunities while mitigating emerging risks. 2020 was a year of unprecedented challenges, with the economic and social fallout of the pandemic expected to have prolonged impacts over the medium term.

These developments are monitored through a PESTEL framework as illustrated below; the framework demonstrates the development in the Political (P), Economic (E), Social (S), Technological (T), Environmental (En) and Legal (L) spheres which have implications on the Bank's strategy. These factors are subsequently described in further detail.



Changes in monetary and fiscal policy and regulatory developments

- Following the outbreak of the pandemic, the Government and CBSL implemented a range of monetary and fiscal policy measures to safeguard borrowers, stimulate the economy, mitigate external sector risks and strengthen the banking sector.
- Monetary policy measures** included, multiple reductions in the Policy rate, collectively amounting to 250 bps decrease and the downward revision of the Statutory Reserve Ratio (SRR) to 2% by June 2020.
- Measures to **safeguard borrowers** included announcement of debt moratoria for SMEs and affected sectors, introduction of "Saubagya" COVID-19 Renaissance facility for working capital purposes at a concessionary loan rate of 4%, interest rate ceiling on specific products such as pawning, overdrafts, credit cards and housing loans and restrictions on banks in pursuing repossession and litigation on Non-performing loans as means of recovery.
- Against this backdrop, several measures were also introduced to ensure **resilience of the banking sector**. These measures included, allowing a drawdown on capital conservation buffers, relaxation of requirements in NPL classifications, defer requirements to enhance capital, abolition of Debt Repayment Levy and NBT on Financial Services and allow banks to provide an extension of 60 days to borrowers who were not entitled to other concessions.
- In addition to the above, the Government also imposed restrictions on non-essential imports including vehicles, to stem the outflow of foreign currency while providing considerable stimuli towards encouraging the export sector and local manufacturers.

Impact on BoC's strategy and performance

- ➔ Pressure on net-interest-margin (NIM).
- ➔ First day impact on debt moratoriums (NII).
- ➕ Credit demand supported by the concessionary loan schemes (NII).

Opportunities

- Support the country's economic revival through concessionary schemes.
- Strengthen customer relationships through offering debt relief.

Risks

Persistent pressure on NIM and its impact on profitability.

Potential liquidity pressure.

Macro- economic developments

- The **global economic** ramifications of COVID-19 are expected to linger for several years, as economies grapple with business closures, job losses and weak aggregate demand. While global growth contracted by 3.5% in 2020, vaccine rollouts in developed economies have raised hopes of a gradual end to the pandemic with the IMF projecting a 5.5% growth in 2021, followed by 4.2% in 2022.
- Sri Lanka's economy** contracted by 3.6% in 2020 reflecting the disruptions to economic and business activity following the lockdown in the second quarter, drop in disposable income and subdued demand. Accordingly, the Agriculture, Industries and Services sectors contracted by a respective 2.4%, 6.9% and 1.5% during the year.
- The Government and CBSL introduced numerous measures to ease monetary policy with a view to stimulating the economy; resultantly **market interest rates** and yields on Government securities in the primary and secondary market recorded a substantial decline and are likely to remain at the current levels.
- The country's **external sector** experienced significant pressure due to the sharp fall in tourism earnings, capital outflows from the debt and equity markets and a decline in workers' remittances in the first half of the year. Despite a contraction in the trade balance led by a 20% decline in imports, the balance of payments amounted to a negative USD 2.3 billion, from USD 377 million in 2019.
- Sri Lanka's sovereign rating was downgraded by all three international rating agencies, citing heightened refinance risks, fiscal pressure and concerns on growth prospects.
- The Government's efforts to curtail non-essential imports have however, mitigated these effects to a certain degree. The **Sri Lankan Rupee** recorded volatility in 2020 and the early months of 2021 reflecting significant pressure given capital outflows and limited foreign currency inflows. The LKR/ USD depreciated by 2.7% in 2020.
- Outlook:** Despite the resurgence of infections in October 2020, the economy has posted gradual pick-up and improving business sentiments, opening of airport for international arrivals and policy stimuli is expected to support medium-term recovery. Key downside risks include the precarious external debt position which has led to a dwindling of foreign currency reserves and high-debt servicing burden.

Impact on BoC's strategy and performance

- Pressure on net-interest-margins (NIM).
- Increased in credit risk of affected industries (NPA, impairment costs).
- Low non-interest Income due to restrictions on fee based income from trade activities (Non-interest income).
- Stock and bond market volatility (Investment income, other income).

Opportunities

- Support the revival of micro, SME and corporates through customer-centric solutions.
- Policy thrust towards exports and local manufacturing.
- Prevalent low-interest rate environment to support investment climate and credit demand.



Risks

- Potential escalation in impairments given delay in economic recovery.
- Higher Foreign Currency Funding Cost.
- Increased volatility of exchange rate.

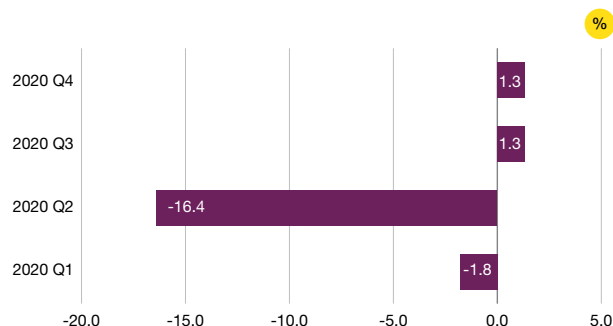


Customer Centricity

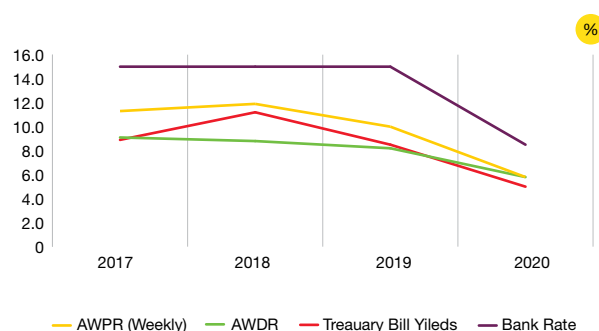


Rewarding Credit Culture and Healthy Credit Portfolio

Sri Lanka Quarterly GDP Growth



Interest Rate Trends



Operating Environment, Opportunities and Risks

Talent attraction and development

- The Banking sector's increased thrust towards digitisation and leaner operating models have highlighted the critical need of developing the agility and responsiveness of employees through holistic development propositions.
- Required skill compositions have also changed, with increased importance placed on IT and analytical skills.
- Retention of talent has also emerged as a critical challenge given the different expectations and career ambitions of the younger workforce.
- As the Bank seeks to improve its appeal among a younger customer demographic, it will also be required to increase inter-generational diversity in its employee profile, with emphasis placed on younger talent to better understand and engage with younger customers.

Impact on BoC's strategy and performance

- Impacts mitigated given the Bank's strong reputation for good employer practices.
- ➡ Projected increase in capital and recurrent expenditure on training and development over the short-and medium term.

Opportunities



Build an agile and dynamic workforce through appropriate training interventions.



Attracting younger talent to drive the Bank's growth and digital aspirations.



Risks

Labour turnover, particularly among the younger demographic.
Difficulties in attracting and retaining the right talent.

Customer Sophistication

- Customers are increasingly demanding increased convenience, accessibility and personalised solutions from financial service providers, driven by demographic patterns, access to information and increased sophistication levels.
- Technology has emerged as a key differentiator in transforming the customer experience and responding to these emerging dynamics. It is also a critical factor in penetrating the younger demographic, for whom convenience offered by technology is a primary factor in choosing a bank offering.
- Banks which are unable to cater to these needs could see their competitive position impacted over time, given intensifying competitive pressures from niche digital banks and telecommunication providers.

Impact on BoC's strategy and performance

- Drive increased wallet share through offering holistic, seamless solutions (NII).
- ➡ Increased cost of fulfilling these rapidly changing customer needs.

Opportunities



Opportunity to attract younger demographics



Build loyalty and retention



Risks

Increased competition stemming from younger and niche banks who are able to roll out digital propositions relatively faster.



Customer Centricity



Building a High Performing Team

Technology and digital disruption

- Technology has redefined the standard of living, raising consumer expectations on convenient, seamless, omni-channel banking solutions including online bill payments, fund transfers and deposits.
- Banks have increasingly sought to build agile and lean operating models through deploying technology such as Robotic Process Automation (RPA) and workflow automation, which have contributed towards a consistent and sustained decline in cost-to-income ratios.
- Emerging technologies such as blockchain, AI and cloud computing are transforming many aspects of banking, providing opportunities for driving operational efficiencies, reducing cost, interacting with customers and optimising resources.
- Enhancing customer experiences is becoming increasingly challenging as banks are expected to respond clients speedily and consistently across omni channels.
- The ubiquitous nature of social media has escalated the risks of propagating misinformation which could potentially impact organisations' reputation and brand image.

Impact on BoC's strategy and performance

- + Increased process efficiencies and cost rationalisation (overhead costs).
- + Driving improvements in customer convenience and accessibility (customer satisfaction).
- Increased cost of IT and digital infrastructure (Investing cash flow).

Opportunities

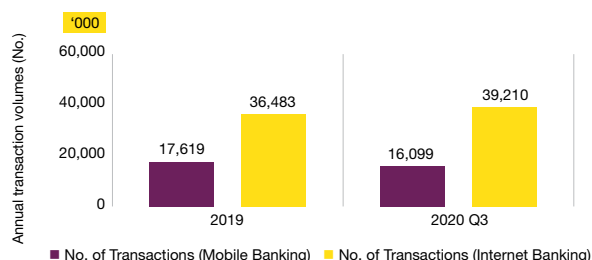
-  Enhance the customer experience through innovative and secure solutions.
-  Drive operational excellence through deployment of technology.



Risks

Increased exposure to IT and Cyber Security Risks.
The rapid pace of change in technology and risk of obsolescence.

Digital Transactions



Sri Lanka Digital Penetration

Internet penetration of 47%

10.1 million internet users

Social media penetration of 30%

31.8 million mobile phone connections

(Source: Datareportal, 2020)

Environmental impact and climate change

- Environmental risks continue to rank among the most serious risks face by 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 2020.
- As an Island nation we are much more vulnerable than others, to risks created through environment impacts and failure in climate action.
- 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, has more powerful ways and means of influencing customers towards much more environment friendly solutions.

Impact on BoC's strategy and performance

- NPLs of agriculture portfolio likely to increase with climate disasters.

Opportunities

-  Access to funding lines targeted towards green lending (Funding base).
-  Propagating sustainable practices through adopting social and environmental screening criteria.



Risks

Escalating implications of climate change on agricultural supply chains and outputs.



Customer Centricity



Digital Excellence



Stability, Governance and Sustainable Growth



STABILISING MACRO-ECONOMIC FUNDAMENTALS

Active participation in the foreign exchange market to stabilise the Rupee

Reduce Interest rate up to single digit inline with Policy rate reduction.

Stand strong with unexpected movements in Macro-Economic variables

Facilitate economic revival through employment creation and supporting affected customers

Facilitating foreign currency generation

LKR 173.0 million

Export earnings generated

USD 2.8 billion

Inward remittance facilitated

BoC's AWPLR

6.2%

as at 31.12.2020

↓ 400 basis points

YoY reduction

Strategy and Resource Allocation

As discussed in the Bank's previous Annual Report, BoC clearly defined its long-term strategic aspirations in 2018 and articulated the definitive action plans and strategies required to achieve these objectives. The structural change in last year's Annual Report reflected this approach and we maintain the same approach in reporting our strategic positioning and progress in 2020.

While our long-term aspirations remained unchanged, the unprecedented operating conditions that prevailed during the year compelled the Bank to refine its strategies and action plans to best suit the current dynamics. Accordingly, emphasis was placed on five key strategic enablers (as opposed to Nine in 2019) enabling us to sharpen our focus on these areas, which we believe will be critical in navigating the post-pandemic world.

Where we want to be

Strategic Priorities

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

(📍 Refer Page 44)

How we plan to get there



Strategic Enablers

Customer Centricity



Digital Excellence



Rewarding Credit Culture and Healthy Credit Portfolio



Building a High-Performing Team



Stability, Governance and Sustainable Growth



(📍 Refer Page 45)

Where we are now

The Bank's current market and competitive position is assessed through a SWOT analysis.

(📍 Refer Page 44)



Where we are now



Market leadership

64% customer penetration
20% of industry assets
22% of industry deposits
23% of industry loans

Brand strength

No 01 Banking brand
associated with attributes of trust and credibility

Extensive branch reach

Unmatched network of over 2,000 customer contact points

State-ownership

Credibility associated with state-ownership

Multi-generational workforce

Combining industry experience with fresh perspectives

Young and energetic work force with average age of 34

Strong balance sheet

Consistent asset growth coupled with strong funding profile

International presence

Three overseas branches, one limited service branch and one subsidiary

Extensive stakeholder partnerships

651 Correspondent relationships

Limited appeal to millennials and younger demographics

Challenges in rolling-out new technologies due to size of operations and limited agility

Legacy systems and challenge in integration

Challenge in maintaining consistencies in service quality across the network

Challenge in maintaining consistent look and feel across all customer touch points due to larger size and spread

Growth in digital infrastructure in the country

Increased digital adoption by customers due to COVID-19 pandemic

Digital literacy being improved across the country, due to initiatives such as distance learning and Work from Home etc.

Increase in depositors seeking for stability than ever before due to market volatilities

Government policy decision to support the growth of SMEs, local exporters and manufacturers

Develop products to cater green finance

Potential economic development landscape with large infrastructure projects

Increasing competition from younger, agile banks and fintechs offering stronger digital propositions

Customer sophistication and need for convenient, seamless banking

Unprecedented changes in technology and risk of digital disruption

Challenges in attracting and retaining the right talent

Reduced brand loyalty among customers

Implications of climate change

Where we want to be

Four clearly defined long-term aspirations set the foundation for the BoC's growth trajectory and competitive positioning. These objectives have been formulated in view of the Bank's inherent strengths, industry and external trends as well as the internal transformations required to navigate the uncertainties of an increasingly competitive and fast-changing industry. These four aspirations are symbolic of "Where we want to be" over the long-term, thereby clearly defining the roadmap which would enable BoC to maintain its market leadership position while leveraging on its strengths to create sustainable, shared value.

Excellence in Customer Service

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

Leading the Digital Adoption

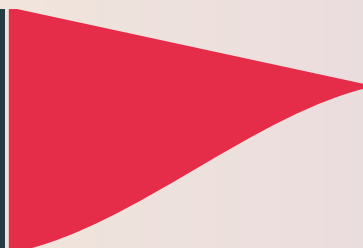
Transforming the experience of both the internal and external customer through adopting cutting-edge technology

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



Strategy and Resource Allocation

How we plan to get there



Resources allocation and progress against strategic enablers

	Customer Centricity	Digital Excellence	Credit Culture	High-Performing Teams	Stability, Governance and Sustainable Growth
Resources allocated to strategic enablers					
 Financial Capital	Investments in physical infrastructure LKR 2.9 billion Investments in brand building LKR 386.4 million	Investments in digital infrastructure LKR 1.9 billion	Loan book exceeded LKR 2.0 trillion Debt moratoria and disbursements of concessionary loans Amount of "Saubagya" disbursed to COVID-19 affected businesses LKR 39.1 billion	Employee remuneration of LKR 15.0 billion Investment in training and development of LKR 50.8 million Investments in ensuring employees' health and safety	Tax contributions of LKR 11.2 billion Lending to renewable energy LKR 568.8 million Investments in community engagement LKR 75.3 million Investments in solar LKR 39.3 million
 Manufactured Capital	2,001 customer contact points	Advanced digital infrastructure which enables responsive and smart banking BoC SmartPay, B app, Smart Online Banking, IPG	646 branches and limited service branches, facilitating customers to get their needs fulfilled DMS to simplify loan processing 15 SME Centers	Implementing health and safety guidelines issued by the Ministry of Health to prevent COVID-19 including investment in glass shields, PPE, sanitising facilities across the network	Leveraging the branch network to generate renewable energy through solar installation 51 branches converted to solar Six branches received Sri Lanka Green Building Standards
 Human Capital	Values, skills and product knowledge of our 8,479 strong employee base	Specialised IT capabilities Facilitate digital engagements for employees	Employee attitudes on business revival rather than recovery Employees trained on credit evaluation and management	Building competencies, attitudes and values of Team BoC Average age 34 years	Social and environmental consciousness of our employees Well disciplined workforce Achievements and recognition
 Social and Relationship Capital	Strong customer relationships based on trust and loyalty 14.1 million customers	Increased customer preference towards digital adoption	Ongoing customer engagement through SME workshops and face-to-face interaction – Facilitate 2,276 entrepreneurs by holding Customer awareness seminars Moratoriums, Restructuring, Rescheduling, Concessionary loans for business revival	Cordial and proactive relationships with trade unions	Propagating social and environmental consciousness through ESMS lending criteria
 Intellectual Capital	Strength of the BoC brand LKR 47.9 billion	IT acumen of the Board, Corporate Management and across the Bank State-of-the art IT Systems	Enhancing organisational capabilities in credit appraisal and management	Knowledge sharing through a culture of mentoring and learning Board diversity	Robust corporate governance and risk management frameworks
 Natural Capital	Utilisation of natural resources in delivering the client experience	Reduction in paper intense banking 1.1 million A4 sheets saved via DMS workflow automation	Develop internal capabilities to align with CBSL sustainable Finance Roadmap Loan schemes for solar and other renewable energy	Encourage employees to adopt "Sustainability pledge"	GHG emission due to our operations are assessed according to ISO 14061-1 Standards GHG emission for year 2020 - 17,620.0 tCO ₂ eqv

How we plan to get there

Customer Centricity

With an unmatched penetration rate of 64%, the Bank has nurtured deep-rooted customer relationships across the Island. Our strength in customer acquisition and retention is supported by the Bank's network of over 2,000 contact points, comprehensive portfolio of products/ solutions, brand visibility and strength and continued focus on customer service and experience.



Sri Lanka's most widely spread network of customer contact points



One of the largest banking customer base



Sri Lanka's most valuable Banking brand

Highlights of 2020

Exceeded 2,000 customer contact points

Launched fully fledged Contact Centre

Increased focus on enhancing the customer experience through digital solutions

Uninterrupted banking services during lockdowns

Maintained position as Sri Lanka's most valuable banking brand

Enhanced product portfolio through diversified credit schemes and lending products

Financial inclusion and literacy through customer education programmes

Branch on Wheels service ensured continued face-to-face interaction despite availability of digital channels

Progress in 2020

	2020	Change y-o-y (%)
Customer Reach		
Customer relationships (No. million)	14.1	3
New customers acquired (No.)	400,000	33
Customer penetration (%)	64	1
Female customers (%)	51	2
Accessibility of Services		
Customer contact points (No.)	2,001	10
Branches and limited service branches (No.)	646	0.5
Mobile School Savings Units (No.)	991	0.1
Smart Zones (In-site and off-site) (No.)	633	80
Coverage of districts (%)	100	-

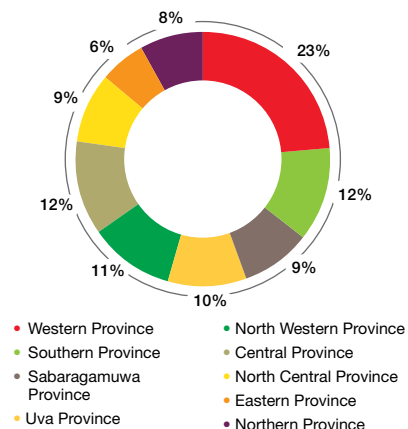
Customer Profile

BoC has nurtured relationships with an Island wide customer base of over 14.1 million, translating to a penetration rate of 64%. Through its extensive branch reach, we cater to all provinces in the country, ensuring the accessibility of financial services in all corners of the Island.

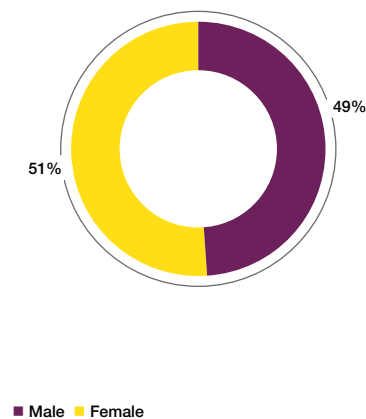
Accessibility

BoC's unmatched physical presence is amongst its key competitive advantages enabling it to drive increased customer penetration and fulfil its growth objectives whilst driving its financial inclusion agenda. In addition to its physical reach, the Bank has also focused on increasing its digital penetration in recent years through driving migration to its online and mobile banking platforms (Refer page 50-Digital Excellence for further information)

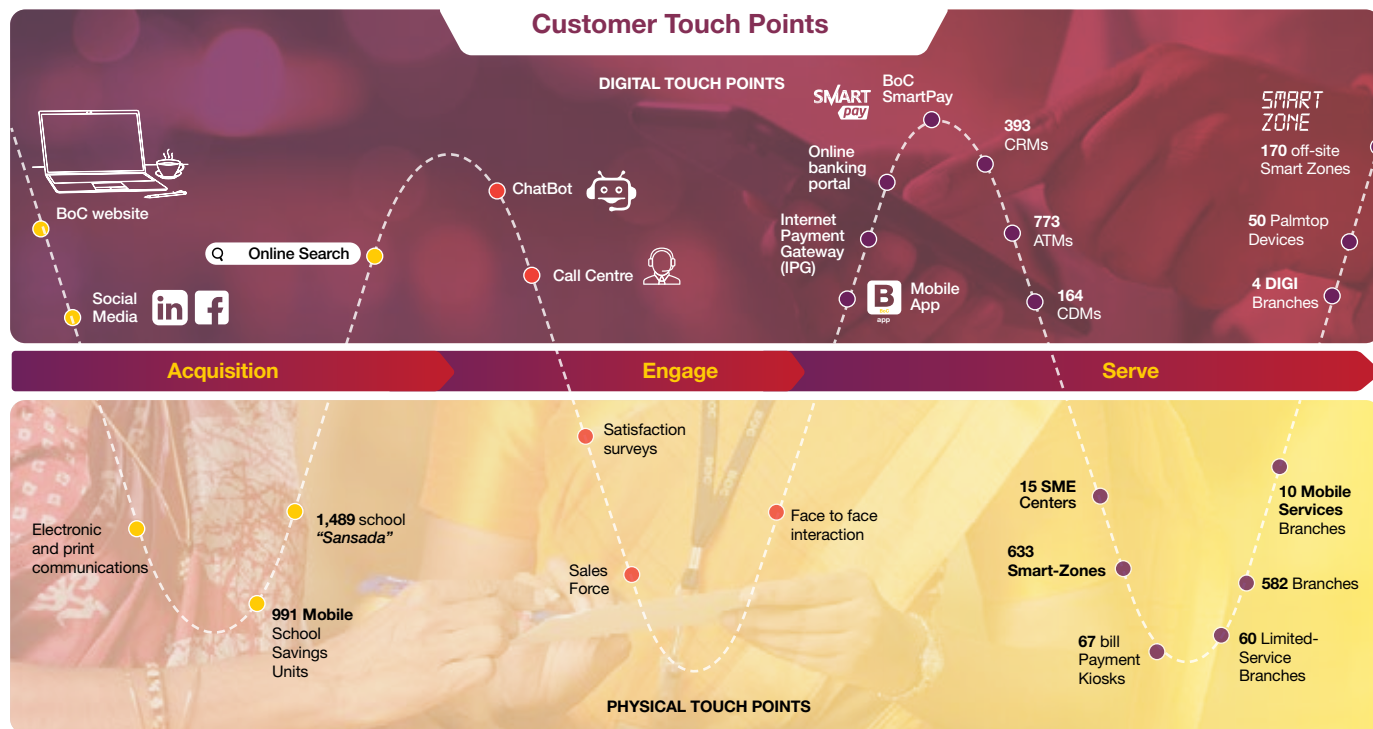
Customers by Region



Customers by Gender



Customer Touch Points



Despite the challenges that prevailed during the year, the Bank continued to expand its footprint as one of the largest reach in the financial services sector. Additions to the network are presented alongside.

Increased accessibility in 2020
One new branch in Kandakatiya,
Two new limited-service branches
and 133 ATMs and CRMs

Products and Services

The Bank offers an array of investment, lending, transactional and international banking solutions catering to its diverse customer base of individuals, SMEs, corporates and Government institutions. Product conceptualisation and development follows ongoing assessment of market dynamics, the competitive landscape and customer needs.

Given the conditions that prevailed during the year, the Bank launched several

propositions aimed towards supporting and reviving customers. These include the following:

Individuals

- New comprehensive rural credit scheme
- Relief package to professionals and BoC pensioners
- Housing loan scheme for permanent carder salaried employees in public and private sector on mortgage back securities

How we plan to get there

Customer Centricity

Corporates and SMEs

- Relief packages to support businesses through COVID-19
- Credit guarantee and interest subsidy scheme for businesses affected by COVID-19
- Working capital solution- emergency response facility
- BoC "Divi Udana"
- Dedicated own funded SME lending
- Special Business Revival Unit

Industry specific solutions

- Smart Super Market special loan scheme for retail traders
- Supply chain re-energised loan scheme for tea factory owners
- Small holder tea and rubber revitalisation scheme
- Liquidity facility to the construction sector

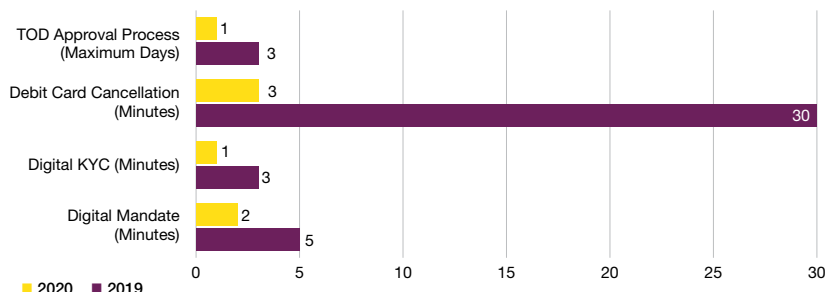


Customer Experience

The Bank sought to capitalise on the opportunities presented by restrictions in mobility and physical interactions to drive deeper penetration of its digital offerings. Therefore, our efforts to enhance the customer experience focused mainly on our digital channels through which we sought to deliver more convenient, seamless and innovative offerings (Please refer page 50 Digital Excellence for further information). Key developments in 2020 included;

- Launch of state-of-the-art contact centre inclusive of sophisticated integrated voice recognition facilities.
- Real time, 24x7 button-based Chat-bot covering deposits, development loans, cards and digital products.
- Drive improvements in transaction processing time through automation and digitisation.

Improvements in Turnaround Times



Satisfaction Surveys: Customer satisfaction is measured through regular surveys conducted by the Bank's dedicated Research Unit and in 2020 the unit conducted two surveys to measure customer service quality and product awareness in Western Province South and Central Province.

year there were no incidences reported on non-compliance to regulations/ voluntary codes pertaining to product and service information and labelling and marketing communications and breach of customer privacy and loss of customer data.

Responsible Banking

Trust, security and stability are key elements of our value proposition to customers and we are committed to adopting responsible banking practices in preserving this edge. 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

Customer Education

In line with our agenda of driving financial awareness and inclusion, the Bank engages in customer awareness and education programmes. Despite the conditions that prevailed, these initiatives were continued during the year, giving more attention to SME sector. Total programmes conducted during the year are presented alongside. Total beneficiaries participated amounted to 13,689. Total programmes held amounted to 88. Targeted audience includes women entrepreneurs, SME customers, University students, newly recruited public servants etc.

Measures adopted to support customers through the crisis

- Moratoriums and debt relief across all clusters
- Ensured continuity of cash circulation and facilitated essential banking services during the lockdown
- Reducing interest rates on existing loans.
- Introduction of special credit schemes for targeted sectors and customer segments
- Offering flexible terms and conditions for new and existing facilities

(🔗 page 54- Rewarding Credit Culture and Healthy Credit Portfolio)

Programme	Targeted customers	Participants
"Divi Udana" programme	SME customers	915
Awareness programme for BOC "Mithuru" customers	Customers from the Mandaramnuwara	250
Special loan product for tea small holders	Tea small holders	750
Awareness programmes for women	Women Account holders in Thangalle and Hakmana	175
Awareness programmes for self employed entrepreneurs	Entrepreneurs in sevenagala and Trincomallee	66
Special programme for Indian returnee entrepreneurs	Indian returnee entrepreneurs	120
Digital product promotion	Government staff, Staff in free trade zones, University students	4,025
Banking product awareness	Newly recruited Government employees	4,622
Leasing awareness programmes	All vehicle buyers	1,500
Migrant workers awareness programmes	Migrant workers and their families	1,275
Total		13,698

National Long-term rating: 'AA-(lka)' Outlook stable

(Fitch Ratings Lanka Limited)

(SL) AAA (Negative)

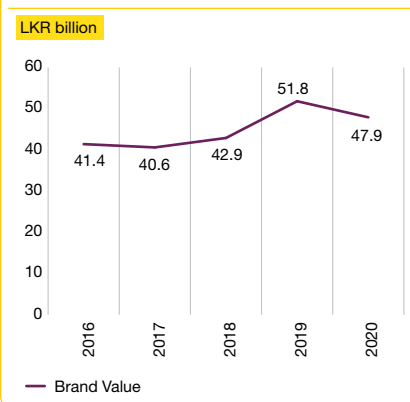
(ICRA Lanka Limited)

Brand Strength

As one of the Sri Lanka's strongest and most trusted brands, BoC is associated with attributes of stability and confidence, which in turn have supported customer loyalty and lower acquisition costs. Given increasing competition from newer banks and fintechs, the Bank has implemented a cohesive brand-building strategy to strengthen its position and appeal to new customer segments. Key brand building initiatives in 2020 include:

- Ensure uninterrupted access to banking services across the Island during the lockdown
- Lead the banking sector in driving economic revival as the largest lender under the "Saubagya" scheme
- Continued investments in driving increased digital penetration
- Numerous sponsorships for various professional, educational, sports and religious events
- Continued investments in ongoing CSR initiatives including 'Hapana' programme, 'You are a Leader' and 'Nanajaya' programmes (refer to page 63 - Stability, Governance and Sustainable Growth for further information)

BoC Brand Value



Most valuable banking brand

Most valuable banking brand in the country in 2020
(Brand Finance - Top 100)

Top 10 most admired companies in Sri Lanka
(ICCSL, CIMA and Daily FT)

Best Corporate Citizens Sustainability Award-
Top 10 award
(Ceylon Chamber of Commerce)

Evolving brand perception

Rejuvenating and evolving the brand to be innovative while maintaining its essence

Risks in implementing the strategy

Increased competition: Intensifying competitive pressures from peer banks as well as emerging financial intermediaries and fintechs could erode the Bank's competitive position.

Increased customer sophistication: Customer needs are evolving at an accelerated pace and to remain competitive, banks would be required to fulfil these needs through innovative products, seamless delivery channels and differentiated customer experiences.

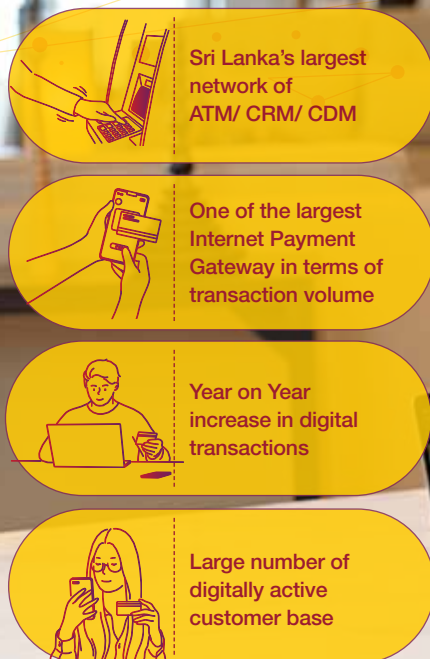
Way Forward

From a customer perspective, our efforts will be directed towards supporting the revival of customers in the short-term while enhancing the overall value proposition through digital solutions, relevant product prepositions and excellent customer service to delight the customer in the medium to long-term. Also our brand strategy intends to standardising branding across all customer touch points while strengthening visibility and appeal among the youth.

How we plan to get there

Digital Excellence

BoC has been better able to embrace and adapt to new technologies in a customer-centric manner driving enhanced customer experiences, thereby sharpening the competitive edge. Advanced digital capabilities also pave for increased agility and efficiency of processes, reducing the cost to serve and enabling better optimisation of resources over time.



Highlights of 2020

Strong growth in digital enablement of customers and digital transactions

Ensured uninterrupted service to all customers during the lockdown

Launched Sri Lanka's first dynamic QR for bill payments

Launched state-of-the-art customer contact centre

Facilitated remote working arrangements for centralised departments

Automated seven new workflows

Added value to Smart Passbook and SmartPay

Launched self-registration for online banking

Strengthened digital capabilities of overseas branches

Progress in 2020

Facilitating Digital Transactions

Average per day

	2020	Change y-o-y (%)
ATM Withdrawals (No.)	214,603	(3)
ATM Deposits (No.)	67,338	9
E-commerce transaction volume (No.)	9,590	1,368
Credit card transaction volume (No.)	5,340	(18)
B app transaction volume (No.)	34,362	107
Digital transactions (No.)	373,829	8

Driving Digital Penetration and Literacy

Smart Passbook (No. of registrations)	1,067,712	117
Smart online banking and B app (No. of registrations)	1,481,949	62
E-statement (No. of registrations)	809,767	5

Ensuring Access to Banking Services during the year

Network of ATM, CDM and CRMs (No.)	1,330	11
Value of transactions through ATM, CDM and CRM (LKR billion)	1,602	12
Volume of transaction through ATMs, CDMs and CRMs (No. million)	103	-

Process Efficiencies via Workflow Automation	Change after Automation (%)
Time savings resulting from workflow automation	
Personal loans	88
Housing loans	14
Debit card issuance	50
FD Opening	44

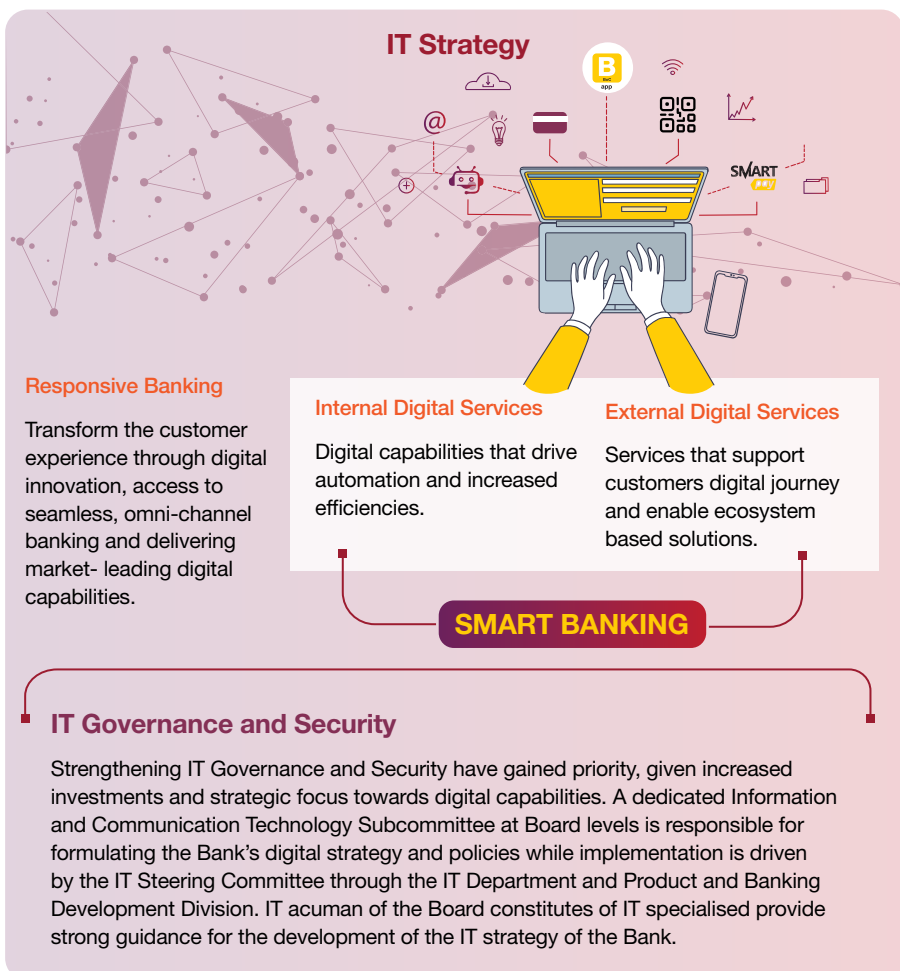
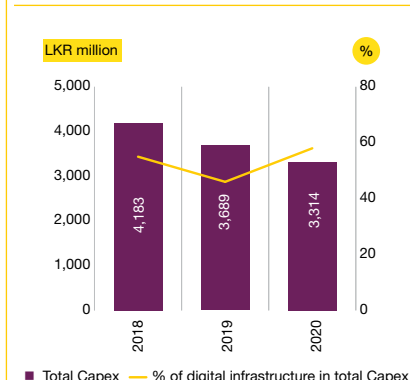
IT Strategy

Digital excellence is a key pillar of BoC's strategic agenda and will play an increasingly important role in the Bank's transformation over the next few years. The Bank's IT strategy centres on transforming the customer experience while building an agile and responsive operating model through leveraging industry-leading digital capabilities. With investments of LKR 5.9 billion over the last three years, digital infrastructure amounts to 58% of the Bank's investment in PPE for the year thereby emphasise its strategic importance.

While presenting numerous operating challenges, the pandemic also provided an opportunity for the Bank to drive increased digital adoption among its customers and strengthen its digital presence across functions and operations. Digital transactions increased by 8% and reached up to 136.4 million in 2020, demonstrating both the Bank's proactiveness and our customers' ability to rapidly adapt to emerging technologies.

Key investments in 2020 included implementation of Contact Centre, 3,000 PCs installed with banking applications, upgraded to windows 10 client PC and amalgamation of 945 cluster servers.

Digital Investments

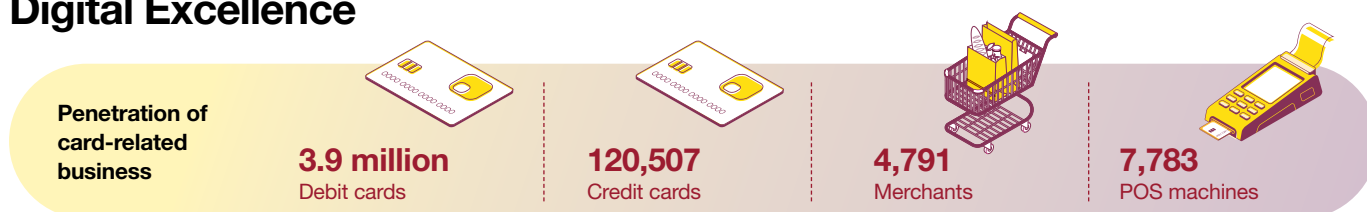


The IT security framework has also been strengthened through revision of the IT Risk Policy, Cyber security Framework, Information Security Policy and Vulnerability Management Policy, which are aligned with leading IT/ Cyber Security Standards and frameworks. The effectiveness of these are regularly evaluated through vulnerability assessments, penetration testing and disaster recovery drills. Key developments in IT Security in 2020 were:

- Conducted risk assessment for third parties
- Privilege access management solutions to monitor vendor activities and privileged staff
- Comprehensive vulnerability assessment and penetration tests
- Review and strengthening of overseas branch security frameworks
- Strengthen the 24X7 Security Operation Centre (SOC) to monitor unusual activities
- Advanced threat protection for all end points
- Automation of self reviews and IS audit functions

How we plan to get there

Digital Excellence



External Digital Services

Enhanced functionality and ease of access in digital services resulted in digital transactions increasing to 23% of total transaction volume amounting to 136.4 million transactions with a value of LKR 1.9 trillion. Key developments during the year include,

- Having re-introduced the BoC's **Internet Payment Gateway** it has facilitated LKR 6.0 billion worth transactions with an average of 29,747 daily transactions, thereby emerging as a large player in this segment in terms of transaction volumes. The Bank has onboarded over 63 vendors to its IPG and is also pursuing partnerships with the wider eco-system including the ICTA and Government institutions to accelerate the transition to IPG and thereby promoting cashless transactions; the Bank successfully facilitated online payments of Sri Lanka Ports Authority and real-time foreign currency payments of Ceylon Petroleum Corporation.
- Launched Sri Lanka's first ever **dynamic QR for bill payments** in partnership with Sri Lanka Telecom

enabling customers using the BoC SmartPay payment app or any other Lanka QR certified payment app to make bill payments by scanning the dynamic QR printed on SLT monthly bills. The Bank also facilitated Lanka QR payments through CEFTS during the year. In addition, we introduced the static biller Lanka QR in partnership with Sri Lanka Insurance- the first of its kind in the insurance industry.

- Launched the Bank's mobile and internet banking platform in Maldives.
- Connection of BoC POS Terminals with LankaPay capabilities and implementation of Smart mini-POS terminals.
- Launched a **new customer contact centre** featuring advanced facilities including integrated voice recognition. The centre is also enabled with Chat-bot services to effectively manage the large volume of calls received.

Internal Digital Services

The Bank was able to successfully provide uninterrupted services to its extensive base of customers across the country during the lockdown period, attesting to

the agility of its systems and efficacy of its recent investments in strengthening internal digital capabilities. Developments in 2020 include:

- Facilitated **remote working** for employees both local and overseas enabling connectivity and providing the required digital infrastructure to ensure the smooth functioning of all departments.
- Progress on process automation through development and implementation of seven **workflows** including Debit card cancellation, KYC automation, near cash loans and digital mandates among others.
- Commenced the system hardware upgrade of the **Bank's Document Management System (DMS)**, which has facilitated paperless processes through automation of account opening, online loan applications and debit card issuance. In 2020 the Bank also launched a paperless platform for the disbursement of fully secured loans which involves digitisation of the loan application and appraisal processes.
- Implementation of in-house developed Treasury System and BOC Ignite in BOC UK.



Progress of DMS in 2020

810,982
CASA Accounts opened

290,075
Fixed Deposits opened

182,977
Personal loans granted

480,982
Customer information files

Customer Experience

Offering customer-centric digital solutions enabled the Bank to pursue targeted acquisition of younger customers, thereby increasing its overall penetration. Significant progress was made in enhancing the customer experience as we focused on convenience, accessibility and safety, factors which offered an avenue for differentiation given the conditions that prevailed in 2020. Key developments in 2020 are given below:



Development/ Innovation	Value proposition to customers	Progress in 2020
Value addition to the SmartPay app	- Enabled support for any dynamic/ static QR issued by other banks - Launched SmartPay app in Huawei app gallery - Inter-interopability for SmartPay Merchant QR	149,760 new users registered 11,839 new merchants registered Winner of the Best Digital Enabled Product at the SLT Zero One awards 2019 for Digital Excellence-Banking Sector
Self-registration for online banking	Increased convenience and accessibility	283,781 new users registered in 2020
Enrolment of EMV Debit Cards for 3D Security Platform	Enabling online purchases	1.1 million cards acquired during 2020
Development and launch of Android 2.0 version of Smart Passbook local app	Value-added features include, tri-language access, foreign remittance tracker, pop-up push notification and availability of transaction details for the past three months	575,866 new users

Risks in Implementing the Strategy

Rapid pace of change: Customer needs are changing at an accelerated pace and inability to fulfil these demands through innovative, customer-centric solutions may result in an erosion of competitive edge.

Shortage of skills: In line with the investments in digital infrastructure, organisations must evolve their pool of skills and address skill gaps through proactively reskilling, attracting and developing critical skills.

Way Forward



Given the Bank's unparalleled customer reach, it is aptly positioned to drive digital literacy and transformation across Sri Lankan households, businesses and Government institutions and a holistic digital road map which will be launched in 2021 will set out the blueprint for future investments. Driving towards digital excellence will be a key priority over the short-to-medium term and the Bank will focus on promoting cashless transactions through further strengthening its QR proposition, widen its credit card offerings and collaborate with eco system stakeholders to offer payment solutions.

How we plan to get there

Rewarding Credit Culture and Healthy Credit Portfolio

The major focus during the year under review were business revival, development of SMEs and provide support for export led businesses. As businesses faced the inevitable economic impacts of the pandemic, we accelerated our efforts to support customers through the crisis, thereby ensuring their survival and commercial sustainability. Accordingly, the Bank halted all litigation and repossession efforts on NPLs offering an array of debt relief solutions and concessionary loans across all business clusters. Despite these challenges, the Bank's proactive approach and continuous engagement with customers enabled BoC to record a gross NPA ratio of 4.8%, below the industry average of 4.9%.



Highest disbursement under "Saubagya" working capital loan scheme



Nurturing the concept of business revival within the Bank



Rewarding customer relationships even during difficult times

Highlights of 2020

Granted moratoriums to businesses under CBSL directions plus the Bank own moratorium to customers who are not covered under CBSL moratorium

258,620 facilities worth LKR 589.4 billion covered under moratoriums

Establishment of business revival unit to engage with and support customers through the crisis

NPA managed below the industry

Disbursement of "Saubagya" working capital loans

Senior management conducted business revival workshops in the provinces

Customer awareness and quick support for SME customers –Special programmes for 2,276 SME and Micro customers

Progress in 2020

	2020	Change y-o-y (%)
Preserving Portfolio Quality		
Loans and advances (LKR billion)	2,115.2	28
NPA (%)	4.8	-
Business Revival		
"Saubagya" loans disbursed (LKR billion)	39.1	N/A
"Saubagya" loans disbursed (No.)	18,589	N/A
Moratoriums granted (LKR billion)	589.4	N/A
Moratoriums granted (No.)	258,620	N/A
Facilities rescheduled (LKR billion)	9.9	52
Facilities rescheduled (No.)	1,277	57
Customer Support		
Customers benefited SME and Micro awareness programmes	2,276	17

Credit Governance

Effective governance structures, credit manuals, policies and procedures ensure consistent and effective management of credit appraisals, approvals, collections, review and monitoring.

The Credit Committee is responsible for formulating, reviewing and revising policies and procedures for granting credit facilities and monitors portfolio exposures, concentration risks and portfolio quality indicators on a regular basis.

During the year, the credit policy was reviewed and revised in consideration of the prevalent conditions. A dedicated business revival unit was also set up during the year to engage with and support customers.

Credit Management in 2020

Our primary objective in credit management was to support customers in weathering the crisis and contribute towards their revival. We accomplished this by implementing the following measures.

- The Bank granted several moratorium schemes in line with the guidelines implemented by the CBSL, details of which are presented below. For customers not eligible for CBSL moratoriums/ loans, BoC introduced its own moratorium scheme.
- Distribution of working capital loans through the “Saubagya” COVID-19 Renaissance facility for affected sectors at the concessionary rate of 4%
- Proactive management of customer cashflows and strict order-based monitoring.
- Minimised recovery action including repossession, parate execution, auctioning of pawned articles and litigation, instead we focused on business revival restructuring and rescheduling loans to support affected businesses.
- Critically affected sectors such as tourism, travel, construction and paddy millers were given special concessions.

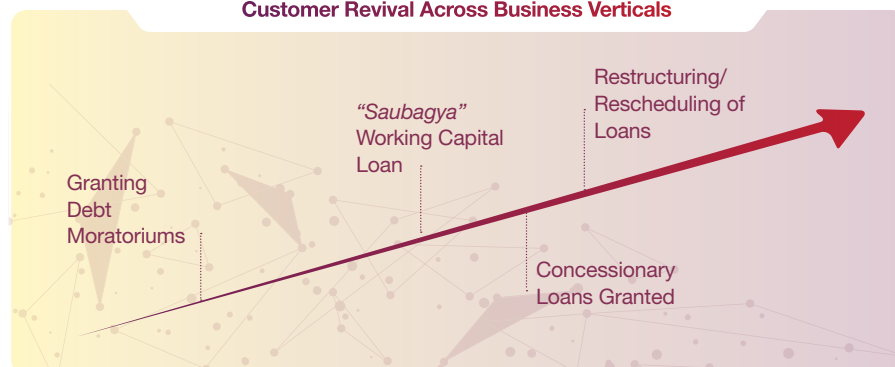
Raising awareness: The concept of customer revival required a paradigm shift in employee thinking. In addition to directions and guidelines issued by the Bank, online workshops and awareness programmes were also conducted through tvBOC to drive the required change in mindset and attitudes.

Moratorium granted by the BoC
in its own - **LKR 3,642.0 million**

No. of facilities - **3,411**



Customer Revival Across Business Verticals



CBSL direction	Moratorium scheme	Moratoriums granted by the Bank	
		Value	No. of facilities
March 2020: Debt moratorium on capital and interest for affected businesses and individuals including leasing rentals in selected categories, personal loans of non-executive employees, personal/ leasing facilities less than LKR 1.0 million.	1st wave of COVID-19 (LKR billion)	481.4	238,302
July 2020: Extension of existing six-month moratorium granted in March 2020, on capital outstanding on leasing facilities granted to the tourism sector by another 12 months	Tourism sector moratoriums (LKR million)	25.0	1,897
August 2020: Extension of the moratoriums granted in April 2019 for a further period of six months up to March 2021.	Extension of Easter Sunday moratorium (LKR billion)	1.6	254
November 2020: Extension of debt moratorium granted to affected businesses in March 2020 by a further six months up to March 2021.	2nd wave of COVID-19 (LKR billion)	92.1	16,492
	Credit support for SME sector (LKR billion)	14.3	1,675
“Saubagya” Concessionary Loan Scheme			
Largest lender under the “Saubagya” loan scheme, disbursing LKR 39.1 billion through 18,589 facilities			

How we plan to get there

Rewarding Credit Culture and Healthy Credit Portfolio

Customer Engagement

BoC maintained close engagement with customers during the crisis period, conducting numerous awareness programmes across provinces to help customers identify potential pain points and support them by offering debt relief and access to additional funding. During the year, the Bank conducted many awareness sessions across provinces, benefiting SMEs, entrepreneurs and self-employed individuals; a summary of these programmes is given in the page 49 of this report under customer centrality.



Export circles: The Bank also launched a comprehensive programme to encourage exporters during the year by a way of providing special products, facilities and advisory for export-oriented SMEs and start-ups. Key services offered include,

- Trade facilities for indirect exporters and direct exporters in the retail sector
- Facilitating role in providing cost effective LC confirmations for customers
- Facilitating role in partnering foreign banks for discounting LC bills at attractive rates
- Advisory services for trade customers

Preserving Portfolio Quality

The economic shocks caused by the COVID-19 pandemic directly led to a broad-based deterioration in credit quality, with the industry gross NPL ratio reaching 4.9% by December 2020 (2019: 4.7%). The escalation in NPLs were partially stemmed by the debt moratoriums offered to

individuals and businesses during the first and second wave of COVID-19 infections. Despite numerous challenges faced by the Bank including availability of limited staff and logistical and transportation challenges among others, BoC managed its NPA ratio at 4.8% by end-2020, at satisfactory level considering the industry challenges.

- Proactive and close engagement by the Corporate Management including the General Manager through provincial level recovery clinics and customer visits
- Restructuring/ rescheduling existing credit facilities of affected customers
- Convert underperforming businesses to performing businesses through business revival
- Continuous monitoring of underperforming credit facilities through specially assigned Credit officers/ Relationship officers.
- Monitoring and follow up of branch credit by Head Office via monthly virtual meetings.



Risks in Implementing the Strategy

Macro-economic uncertainty: The prevailing weak external sector and economic outlook, comfort from the Government's policy stimulus towards driving export income and curtailing non-essential imports.

Slowdown in economic activities: The slowdown in economic activities due to COVID-19 outbreak posted a risk of weakening portfolio quality.

Way Forward

With the gradual roll-out of vaccinations in Sri Lanka, the economy is expected to post recovery by mid-2021 supported by policy stimulus and an accommodative monetary policy. As granted moratoriums are set to expire in March 2021, we are committed to ensuring customer revival and continued commercial sustainability as economic conditions improve. Priority will be given to development, SME/ Micro sectors in exports, tourism, agriculture, local manufacturing and construction sectors.

How we plan to get there

Building a High-Performing Team

Ensuring the safety of our team of 8,479 employees was our topmost priority this year as the COVID-19 pandemic raged worldwide. Despite the size and depth of its operations, the Bank quickly adapted to the new realities of the pandemic, implementing stringent health and safety measures, introducing remote working arrangements and always ensuring the health and safety and well-being of employees.



The largest employer
in the Banking Sector



LKR 18,190 million
value created to
employees



One of the highest
female representation
in the banking sector

Highlights of 2020

Adherence to safety guidelines issued by the health authorities

Engagement and training shifted to digital platforms wherever possible

Facilitated work-from-home arrangements to ensure employee safety

Review and revision of several HR policies

Improving employee engagement by recognising innovations through rewards and recognition

Ensured 100% job security and remuneration

Awarded during the year

Global HR Excellence Award 2020 by Best HR organisation to work for.

Sri Lanka Best Employer Brands Award 2020

Progress in 2020

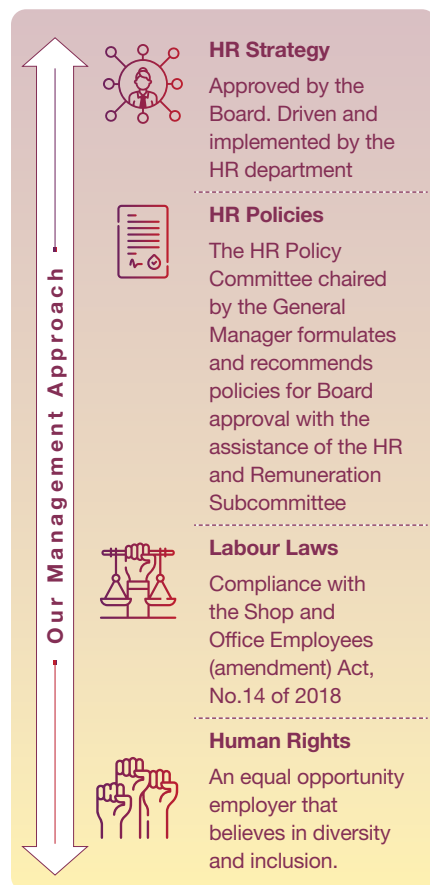
	2020	Change y-o-y (%)
A Diverse Team		
Total employees	8,479	(0.3)
Female employees (%)	60	-
Male employees (%)	40	-
Collective experience (years)	82,122	5
Refreshing Our Talent Pool		
New recruits (No.)	02	(83)
Attrition rate (%)	0.4	(0.4)
Vacancies filled externally (No.)	02	-
Employees <35 years of age (%)	60	(8)
Upskilling and Reskilling Our Team		
Investment in training (LKR million)	50.8	(78)
Total training hours (Man hrs.)	494,166	24
Average training hours per employee (Hrs.)	58.3	24
A Productive Workforce		
Revenue per employee (LKR million)	29.1	4
Net profit per employee (LKR million)	2.1	(22)
Value added per employee (LKR million)	2.2	(1)

How we plan to get there

Building a High-Performing Team

Managing Our Team

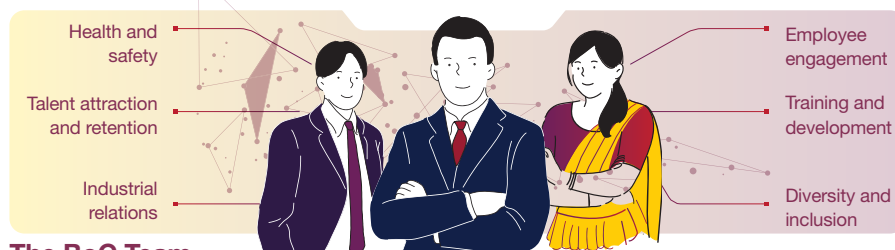
The Board approved HR strategy, comprehensive policies and procedures formulated by the HR Policy committee complying with local labour legislation, industry best practices and human rights underpin our approach to building a high-performing team.



Driving and implementing the HR strategy of the Bank requires the many different but interlinked facets of HR to come together. Our story of building a high-performing team is conveyed through the lens of the BoC HR department that tirelessly ensured the seamless execution of its various functions amidst the unprecedented challenges presented by a worldwide pandemic.

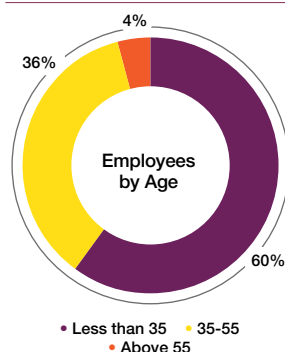
The following HR Policies were reviewed/ revised during the year

- Scheme of recruitment
- Transfer Policy
- Training Policy
- Exit interview Policy



The BoC Team

Spread across the nine provinces of Sri Lanka and its overseas operations, the BoC Team comprises 8,479 diverse and committed employees who are our most valuable asset and the driving force behind the Bank's many achievements. Our team is multi-generational, multi-skilled and gender diverse with many years of accumulated experience. The Bank does not engage employees in part time basis and the detail of employment by category and gender is shown below;

**100%**

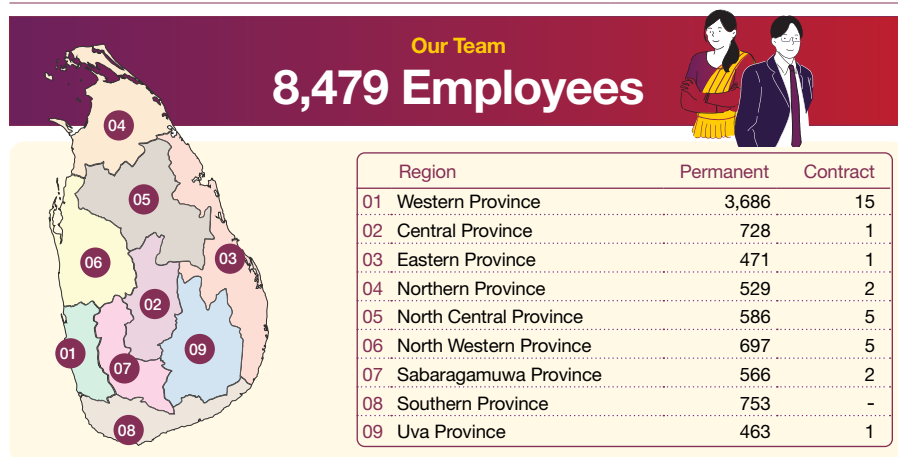
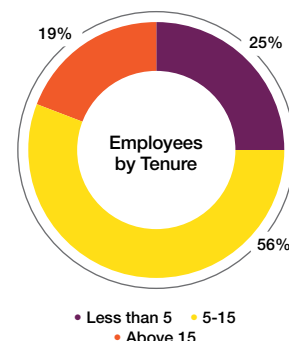
Senior management hired from local communities

19

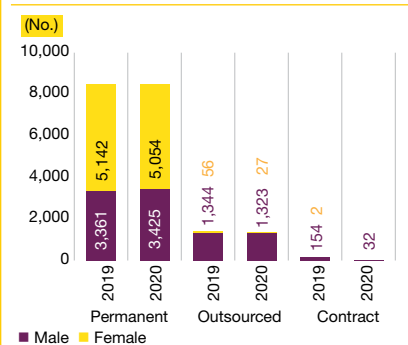
Deployed in overseas branches

16

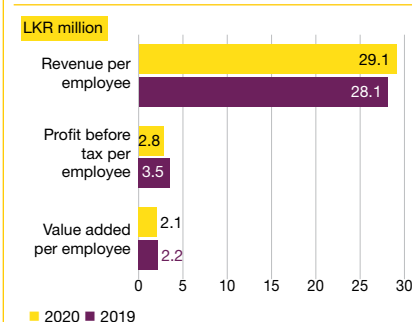
Differently abled employees



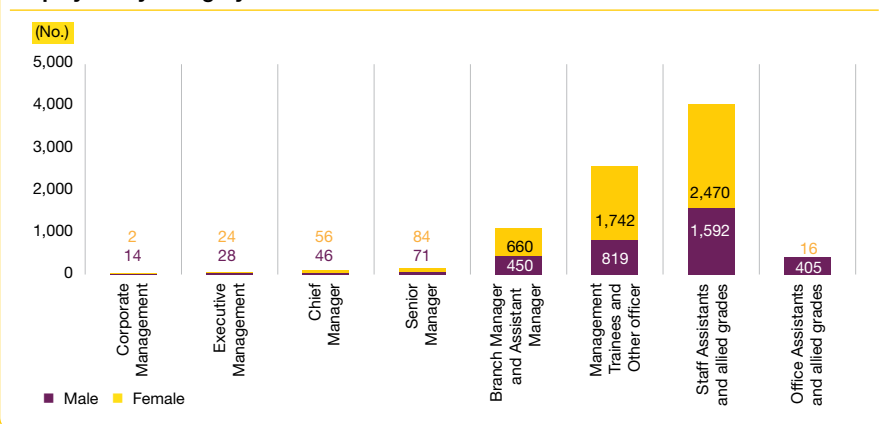
Employment by Contract and Gender



Employee Value/ Productivity



Employees by Category and Gender



Attracting and Retaining Talent

Brand, market leadership in the financial sector, together with a strong reputation for personal development, career progression and a conducive work environment have ensured BoC remains as an employer of choice.

Our Recruitment Practices

In 2020, only two new recruitments were carried out and both were on contract basis. Given the challenges that prevailed during the year, applications for vacancies were only accepted through the Bank's website. The annual man-power plan approved by the Board of Directors, which includes divisional requirement of staff, forms the basis on which recruitments are carried out. Vacancies are advertised to the public through newspapers in all three languages and on the Bank's website. Selection of candidates is based on the performance at a written examination and an interview. All new recruits attend a comprehensive induction programme which helps employees acclimatise themselves with the processes, functions and culture of BoC.

Retaining Talent

With one of the lowest attrition rates in the industry, the employee turnover rate of the Bank was 0.4% (excluding retirement) in 2020. From an employee's perspective, this is evidence of the Bank successfully adding value to one of its most important stakeholder via continuous investment in training and development, career progression, employee engagement initiatives and especially during this year, health and safety measures.

Response to COVID-19

Despite the risks that prevailed in the society our employees continued to support value creation for other stakeholders and ensuring their health and safety was the Bank's key HR priority during the year. Taking cognisance of both business continuity and safety regulations imposed by the health authorities, the Bank adopted a range of proactive and stringent measures to safeguard all employees.

Work Environment

- Strict adherence to health and safety protocols issued by health authorities
- Continue screening for adherence to safety measures

Job Security

- Ensured 100% job security of all employees
- No any adjustments to remunerations/benefits and zero job losses

Other Benefits

- Paid quarantine leave for staff
- Special logistic arrangements for staff in permanent carder and as well as for selected categories of outsourced staff to reduce the risk of COVID-19
- Paid quarantine centers arranged for employees with reimbursement via medical Insurance scheme

Work Practices

- Provide Personal Protective Equipment (PPE) for all staff
- Roster based work arrangements minimise the risk of service interruption
- Developing IT infrastructure to facilitate employees assigned to centralised functions to work from home
- Relaxing the dress code for employees during COVID-19 pandemic
- Medical assistance for infected employees.

Profile of Employee Turnover

Turnover by age		Turnover by gender		Turnover by region	
Below 30	11 (34%)	Male	11 (34%)	Western	25
30-50 years	21 (66%)	Female	21 (66%)	Central	2
Total	32	Total	32	Eastern	-
				Northern	2
				North Central	-
				North Western	1
				Sabaragamuwa	-
				Southern	2
				Uva	-

How we plan to get there

Building a High-Performing Team

Compensation and benefits

The Bank continued to offer an attractive compensation plan for its employees which includes:

- Discretionary bonus and incentives
- Housing loans, vehicle loans, computer loans, solar power loans, investment loans and unified general loans at concessionary rates
- Medical assistance schemes
- Pension schemes
- Widow, Widower and Orphanage fund (eligibility criteria apply)
- EPF (12%) and ETF (3%) contributions
- Education assistance and professional subscription re-imbursements (eligibility criteria apply)

Compensation including salary and non-salary benefits are based on collective agreements with trade unions and are negotiated every three years. Given the outbreak of the pandemic during the year, employees were offered the following additional benefits:

- Quarantine leave was offered to employees requiring leave due to a roster-based system of work and quarantine purposes. This leave was in addition to an employee's annual leave, with allowance for it to be utilised in the next 03 years.
- Special transport facility was provided to employees working at Head Office. Other employees were granted a

travelling allowance to cover their cost of travel to work.

- The Bank also bore the costs of PCR testing for its employees and quarantine facilities for those employees returning to Sri Lanka from overseas assignments.

Diversity and inclusion

As an equal opportunity employer, the Bank aims to ensure that all policies, procedures, guidelines and practices are inclusive with respect to age, gender, religion, disability or racial and ethnic origins.

Gender parity: 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. We are committed to creating an environment in which female employees can thrive, as demonstrated by 38% female representation at management level and relatively high levels of return to work after parental leave.

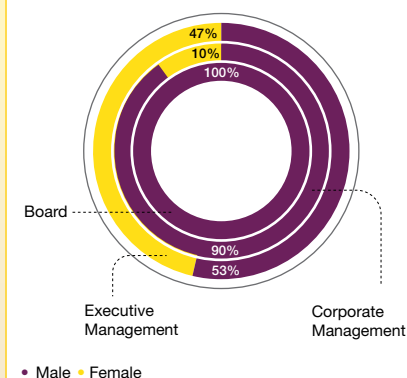
Multi-generational diversity: Meanwhile the Bank has also built a multi-generational workforce between the ages of 21 to 60 years representing age diversity. Given our recruitment profile, nearly 60% of the Bank's employees are below the age of 35. Furthermore, a quota of up to 1% for differently abled employees is also mandated by our recruitment policy.

There were no instances of discrimination reported during the year.

Policies supporting a diverse workplace

- HR Policy
- Code of Conduct
- Grievance handling Policy
- Disciplinary procedure

Gender Representation in Governance Bodies



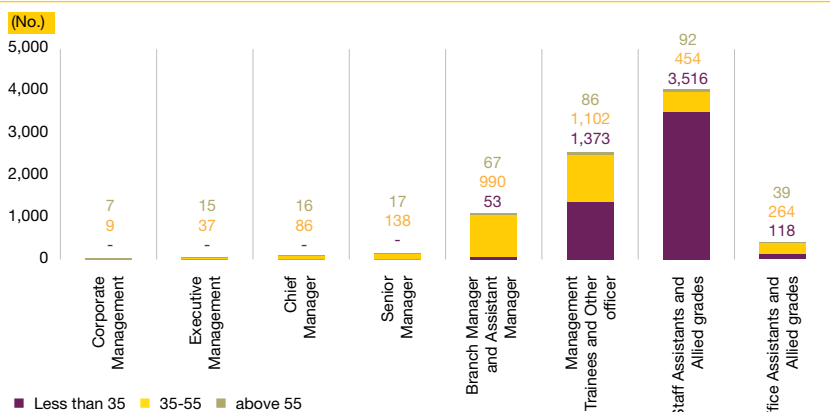
Gender representation

	Female	Male
Promotions	248	135
Employees in Key Departments		
IT	39	75
Retail banking	35	11
Corporate and Offshore banking	297	167
International, Treasury and Investment	75	141
Risk Management Division	14	8
Product and Banking Development	138	130
Finance	73	67
HR	79	55

Parental leave

	Male	Female
Employees:		
Entitled to parental leave	0	5,054
Took parental leave	N/A	416
Returned to work after leave	N/A	400
Number of employees still employed after 12 months of their return to work	N/A	513
Return to work rate of employees taking parental leave	N/A	100%
Retention rate of employees taking parental leave	N/A	100%

Employees by Category and Age



Training and Development

Training

Traditional means of delivering training programmes were disrupted during the year due to the lockdowns and safety measures that had to be implemented due to COVID-19. During this time, external as well as internal training programmes were carried out through video communications tools such as Ms Teams, Zoom and the tvBOC channel. Meanwhile e-Learning continued to be used as a training tool with sectional heads conducting frequent sessions on topics such as lending and customer relations. Overseas training programmes were mostly curtailed except in the very early part of the year due to travel restrictions and safety concerns.

However, some of the employees found opportunities to gain overseas training via distance learning method.

BoC has a dedicated training centre located at Maharagama with six faculty members and 115 associate members. Subject matter experts from the Bank are used in addition to external resource persons, thereby allowing the nurturing of organisational knowledge across employee generations. We support employee life-long learning through toastmaster/ speechcraft programmes and management development and leadership programmes across different employee levels.

Our investment in training was LKR 50.8 million in 2020 (2019: LKR 233.3 million) reflecting a significant deterioration from the previous year admitted limited foreign training and local training programmes being shifted into online mode replacing physical training, due to restrictions arising from COVID-19. However, this did not affect the continuous learning and development process of the employees as the Bank was able to continue training via digital modes in spite of social distancing rules. Hence, employees time spent on training was 494,166 man hours (2019: 398,189 man hours) that translated to 58.2 training hours per employee (2019: 46.8 hours).

Special training initiatives conducted in 2020

Programme and method of delivery	Key objectives
Awareness Programme on importance of debt moratorium – tvBOC	Provide knowledge required for credit officers to handle moratorium effectively
Advanced Credit Appraisal and Analysis (An Overview to Products) – Face to Face training	Nurture industry best credit officers
Financial Services to small and medium agro enterprises - Online training	Improve SME knowledge among credit officers
Best of General Banking and Practices for Managers	Groom front office managers to become excel in customer service
Development Lending to Rural Community - Online	Promote Development lending among staff
Outbound training for Area Managers and Managers – Field training	Develop leadership skills among senior managers
Technical Session on Cyber Security for IT Division	Equipped IT officers with latest industry knowledge

Average hours of training during the year by Gender and Employee Category

	Average training hours per employee	
	Male	Female
Corporate Management	18	6
Executive Management	14	17
Chief Managers, Senior Managers and Branch Managers	9	8
Assistant Managers, Executive Officers, Junior Executive Officers and others	3	2

Performance Management and Career Progression

BoC has a structured performance management system in place with defined KPIs to achieve the Bank's strategic objectives trickling down from top management. Annual performance appraisals are carried out on 100% of permanent employees.

The Bank has a policy on 'promotion and career advancement schemes' which clearly articulates the path for career progression. Employees become eligible

to apply for a promotion once the required number of years of service in the current position have been completed and the written examination to cross the efficiency bar for the promotion was passed. During the year, 373 employees were promoted and all vacancies except for two Corporate Management positions were filled internally. External recruitments are generally carried out only for specialist roles to strengthen industry expertise.

Century Score Card

Recognising outstanding employees

2,105
employees were recognised and rewarded during the year



How we plan to get there

Building a High-Performing Team

Succession planning for Key Management Personnel have been carried out by BoC as per the Central Bank guidelines. Development programmes for these individuals were conducted through the Postgraduate Institute of Management. Successors for branch management were also identified, although development programmes were not fully carried out during the year due to challenges posed by the COVID-19.

Employee Engagement

With the lockdowns and heightened safety measures that prevailed during most part of the year, we adopted innovative engagement methods with employees. While regular activities such as sports, cultural and religious events were conducted during the first few months of the year, engagement was shifted to digital platforms following the outbreak of the pandemic. During the

rest of the year, we sought to open all our holiday bungalows with approval from the health authorities, in view of improving the physical and mental well-being of employees.

Employees were recognised and rewarded for innovative capabilities as the Bank encouraged employees to come forward with their own creations, for development such as digitisation.



Industrial Relations

All permanent employees of BoC are covered by collective agreements with 99% belonging to one of six trade unions. Accredited employee representatives of the trade unions are provided the time and facilities for trade union activities with seven employees released for full time trade union work. We strive to maintain cordial and co-operative relationships with trade union representatives, ensuring that only significant issues are raised to the Bank's management.

A notice period of six months is provided to employees prior to implementation of significant operational changes. The notice period and provisions for consultation

and negotiation are specified in the collective agreements. Health and safety topics such as employee entitlements under the medical assistance scheme are also covered in collective agreements.

Way Forward

As we look forward to a year of revival, for both businesses and individuals, our focus will be on nurturing and developing an ethical work force that will help the Bank to continue contributing to the national cause by uplifting the economy of the country in a sustainable manner. We will maximise our investment in training and facilitate virtual learning to equip employees with the skills required to drive our strategy. Improving health and safety facilities will be an ongoing task as we keep up with guidelines issued by the health authorities. The Bank also recognises the important of maintaining an appropriate work life balance and will take steps to improve this aspect future.

How we plan to get there

Stability, Governance and Sustainable Growth

As the leading Bank in the Country, the BoC placed an utmost importance in stability, Governance and sustainability in its value creation process. Since Governance is discussed under the “Corporate Governance” section and the stability is discussed under the Chief Financial Officer’s Review hence discussion in this section is limited to delivering sustainable growth.



Unmatched rural reach with high penetration in vulnerable communities

First state bank to obtain the ISO 14064-1 certification on quantification and reporting of GHG emissions

First-of-its kind Innov Bank Symposium organised by BoC to facilitate technology and innovation in banking sector

Highlights of 2020

Converted nine branches to solar powered branches, bringing the total to 51 by end- December

Obtained Green building certification for six branches

Ongoing investments towards micro-financing and through development schemes thereby driving financial inclusivity

Continued investments in community engagement with focus on customer education

Widened scope of carbon footprint computation to include Scope 3 and 4 emissions

Investments in tree planting through the “Haritha Arana” initiative

Progress in 2020

	2020	Change y-o-y (%)
Economic Sustainability		
Microfinance disbursements (LKR billion)	9.3	(1)
BOC “Mithuru” Groups (No.)	1,083	20
Branches in economically deprived areas	138	8
Social Sustainability		
Investment in CSR (LKR million)	75.3	11
“Nanajaya” scholarships granted (No.)	380	57
Beneficiaries of “Hapana” programme (No.)	8,603	(71)
Scholarships for “Ran Kekulu” account holders (No.)	2,000	(2)
Scholarships for “Ran Kekulu” account holders (LKR million)	30	-
Environmental Sustainability		
Investment in solar (LKR million)	39	(45)
Renewable energy generated (mWh)	2,122	(10)
Lending to renewable energy projects (LKR million)	567.7	(62)
Paper recycled (kg)	8,477	(57)
GHG emissions (Scope 1) tCO ₂ e	2,171	(31)
GHG emissions (Scope 2) tCO ₂ e	9,333	(26)
GHG emissions (Scope 3) tCO ₂ e	5,268	NA
GHG emissions (Scope 4) tCO ₂ e	826	NA

How we plan to get there

Stability, Governance and Sustainable Growth

Our Sustainability Framework

As an organisation, which operates beyond profitability objectives, sustainability is a way of life at BoC. A comprehensive Sustainability Policy outlines the Bank's aspirations in driving sustainable development and ensures that these considerations are embedded in the Bank's strategy and daily operations. The Policy centers on the three main dimensions of economic, environmental and social responsibility and are delivered through the Bank's operations, lending decisions and its CSR initiatives. Our sustainability agenda is also aligned to the ambitions set out by the Sustainable Development Goals.



Underpinned by,					
Corporate values	Stakeholder engagement	Impacts, risks and opportunities	Policy coverage	Management and governance	Sustainability reporting and disclosures

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 (DGMs) of all key business verticals and support functions including the Chief Financial Officer, Chief Risk Officer, DGM Support Services and Chief Marketing Officer—thereby ensuring that sustainability is a cross-functional and organisation-wide discipline. The Bank's Support Services Divisions, HR Division, Compliance Division and the Legal Division ensure, the Bank is fully compliant with all relevant environmental and socio-economic laws and regulations during the year under reviewed, there were no instances of non-compliance reported.

Board of Directors	- Ensure Sustainability Governance is in place - Provide oversight on sustainability related matters
Sustainability Committee	- Integrate sustainability considerations into the Bank's overall strategy and daily operations - Evaluate, promote and approve sustainability initiatives in line with the Policy - Monitor progress of the initiatives - Develop and timely revisions of the Sustainability Policy
Sustainability Unit	- Responsible for co-ordinating sustainability initiatives, initiated by the Bank - Sustainability reporting - Active engagement with internal and external stakeholders in operationalising the sustainability agenda

Approach to CSR

The Bank engages in strategic CSR projects aligned to its long-term sustainability agenda, Mission and Corporate Values. Projects are evaluated through a model which guide projects to align 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.

With the onset of the COVID-19 pandemic, deployment of staff for CSR/ philanthropic activities were challenging. While ongoing and committed projects continued unabated all new projects were temporarily halted and are expected to commence by the second quarter of 2021.

In demonstrating the Bank's commitment for sustainable development and in enhancing the meaningfulness of our sustainability reporting, this chapter has been structured to reflect our alignment to the UN's SDGs.

Precautionary Principle: While the Bank has not formally adopted the Precautionary Principle, environmental and social factors are given due consideration when conducting feasibility studies and appraising investments.



SDG 1: NO POVERTY



Sri Lankan context: The country's poverty headcount index, which reveals the percentage of the population living below the poverty line was 4.1%¹ in 2016, with the regional indexes varying from 1.7% in the Western Province to 7.7% in the Northern Province.

Our approach: Driving financial inclusivity through providing affordable funding to vulnerable segments is among BoC's key economic objectives. This is facilitated through the Bank's micro-financing proposition and role as a Participatory Financial Institution (PFI) in 36 development credit schemes.

Relevant SDG targets

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

1,083 BoC "Mithuru" 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

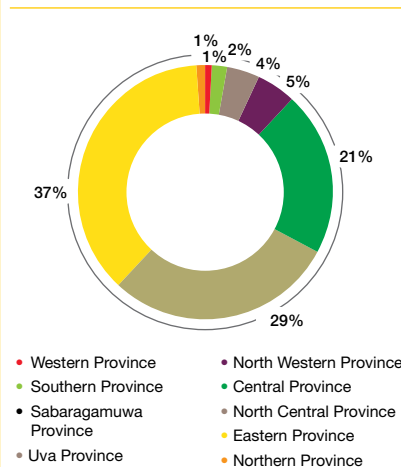
LKR 859.6 million development lending to women entrepreneurs

BoC "Mithuru" microfinance lending

The Bank's micro-finance proposition aims to disburse funds for entrepreneurial ventures to communities which typically lack access to formal funding. In addition to its own funds, BoC partners several Government institutions and agencies in channeling funds to the micro enterprise segment through credit schemes.

The Bank has formed 1,083 BoC "Mithuru" groups and 203 societies across the Island, which are offered mutually guaranteed lending. The Bank also offers market access and capacity building programmes. In 2020, the Bank disbursed LKR 34.6 billion through BoC "Mithuru" Microfinance facility while awareness programmes were conducted for 292 borrowers. Among the BoC "Mithuru" groups 42% are located in Northern, Eastern and Uva Provinces.

Provincial Distribution of BoC "Mithuru" Group's and Societies



BoC "Mithuru" Microfinance

Outstanding portfolio:

LKR 146.5 million

Disbursed in 2020:

LKR 34.6 million

Lending through Development loan schemes

BoC engages as a Participatory Financial Institute (PFI) in 36 credit schemes, which channel funds to vulnerable segments such as women-led SMEs, self-employed persons, new businesses as well as specific sectors such as taxi drivers and pre-schools, among others. In 2020, BoC disbursed LKR 12.4 billion through 29,124 facilities under PFI category bringing its total portfolio to LKR 33.3 billion as at end-December 2020. Key areas of lending in 2020 include the following:

Facility	Disbursements (LKR million)	No. of loans
NCRSC	2,678.9	24,634
Interest-free higher education loan	1,445.0	2,344
Liquidity facility for the construction sector	2,164.5	103
Ran Aswenna	1,170.0	64
Supply chain Re-energised loans scheme	72	24

New schemes entered into in 2020



Three facilities under SME LoC including emergency response, SME Component and We-Fi grant and Tea Smallholder facility

Smallholder tea and rubber interest subsidy scheme

Supply chain scheme for registered tea manufacturers

Liquidity facility for construction sector

1. Dept. of census and Statistics.

How we plan to get there

Stability, Governance and Sustainable Growth

**SDG 10:
REDUCED
INEQUALITIES**

Sri Lankan context: Despite sustained reductions in poverty levels, Sri Lanka's income inequality has remained relatively unchanged with the richest 20% enjoying more than 50% of the total household income; the poorest 20% receive approximately 5%².

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

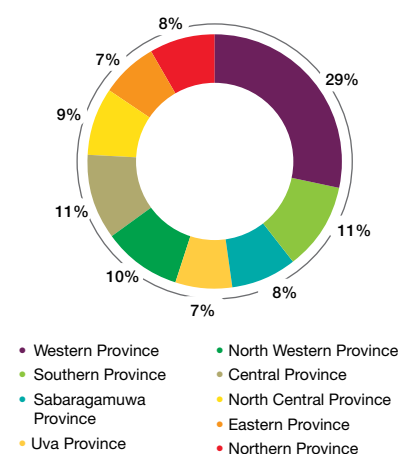
Relevant SDG Targets	BoC's Contribution
Target 10.2: By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status	138 contact points including 55 branches in economically deprived areas

BoC's network extends to the country's most rural and underserved areas, thereby providing an opportunity for the unbanked segment to enter the formal financial system through lending and investment solutions. The Bank is typically the first financial institution to establish a presence in underserved localities and by end-December 2020 8% of the Bank's total branches and 7% of its customer contact points were in economically deprived areas.

The Bank's Branch-on-Wheels concept features 10 mobile banking units which are deployed across the Island and enables rural customers to perform wide range of banking transactions without visiting a branch. The importance of this services was amplified in 2020, following the outbreak of the pandemic. During the year, 40,717 customers availed this service across the Island.

BoC's proactive efforts in 2020 to accelerate digital adoption among its extensive customer base through its online and

mobile banking platforms has also aided in bridging the country's digital vision, driving increased digital literacy among its extensive customer base.

Contact Points by Province**BoC "Branch-on-wheel" Performance**

	No. of customers utilising the service in 2020
Western	10,183
Southern	547
Eastern	11,777
North Western	3,654
Central	5,473
Northern	4,240
Sabaragamuwa	1,388
North Central	2,011
Uva	1,444

**SDG 8: DECENT
WORK AND
ECONOMIC
GROWTH**

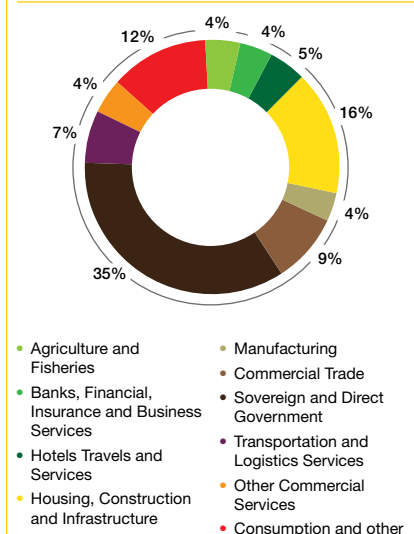
Sri Lankan context: At 16.6³, Sri Lanka's Banking Density (Number of branches per 100,000 people) remains relatively higher than the global average of 11.4, although the majority of these branches are in urban regions.

Our approach: With a penetration rate of 64% and one of the largest customer base in the banking sector, BoC plays a vital role in providing access to finance for majority of Sri Lankans through diverse offerings of loan products.

Relevant SDG targets	BoC's Contribution
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 disabilities and equal pay for work of equal value	Strong employee proposition to 8,479 employees (refer to page 63 for further information)
Target 8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all	48% of loan growth in 2020 is catered by BoC Lending to SME sector: LKR 128.9 billion

Promoting entrepreneurship

The Bank is a leading lender to Sri Lanka's SME sector, promoting entrepreneurship and fostering business activity across the Island. This is facilitated through the Bank's Retail, Corporate and Development banking clusters, its micro-financing arm and through its role as a PFI. In 2020, BoC disbursed LKR 72.6 billion via development loans to the micro and SME sectors while total disbursements to the SME sector amounted to LKR 128.9 billion.

Lending to Business

2. Dept. of Census and Statistics
3. Central Bank of Sri Lanka



SDG 2: ZERO HUNGER



Sri Lankan context: The Agricultural sector contributes 8% to Sri Lanka's GDP. Wages in the sector, continue to be relatively low, with the monthly mean wage of Agriculture sector workers comparing 40% and 49% lower than the industry sector and services sector, respectively.

Our approach: Agriculture is a key area of focus for the Bank and we have introduced numerous facilities and loan schemes to support the sector.

Relevant SDG Targets	BoC's Contribution
Target 2.3: By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous people, 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	Lending to Agricultural and fisheries sector amounts to LKR 144.0 billion

In aligning with the Government's thrust sectors, BoC has directed significant funding towards the country's Agriculture sector, through various credit schemes as PFI as well as its own funding. Some of the dedicated credit schemes are "**Govi Navodaya**", "**Ran Aswanu**" and BoC "**Divi Udana**".



SDG 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE



Sri Lankan context: Government emphasis on developing the country's transportation infrastructure has resulted in 96% of the country's rural population living within a 2 km radius of an all-season road.

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

Relevant SDG Targets	BoC's Contribution
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 157.9 billion lending towards infrastructure development in 2020
Target 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities	Paper saving achieved via DMS workflow automations 1.1 million A4 sheets

Supporting Infrastructure Development

As a key lender to the Government, the Bank continues to fund significant infrastructure development projects such as highway constructions, irrigation and renewable energy projects. Such lending

amounting to LKR 157.9 billion during the year. The Bank also funds major private sector investments with special focus on local manufacturing, construction and export industries. Some of the key funding during the year are given below:

- South Asia's largest tyre manufacturing facility
- Altair Residential Project
- Colombo City Centre Partners (Pvt) Ltd
- Kalani right bank water project



SDG 4: QUALITY EDUCATION



Sri Lankan context: 3.3% of Sri Lanka's population does not have access to schooling while only 13.8% of the population complete the GCE Advanced level examination.

Our approach: Education is a key pillar of the Bank's CSR agenda and we have implemented several strategic, ongoing projects to support both primary and secondary education of school students.

Relevant SDG Targets	BoC's Contribution
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 around 21,000 Grade 5 students Over 1,800 youth supported for higher education
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	Funding to higher education via interest free loans LKR 1,445.0 million disbursements during the year

How we plan to get there

Stability, Governance and Sustainable Growth

Supporting Education

“Nanajaya” Scholarships: for this long-term project, BoC invested LKR 14.6 million in 2020 as well by offering 380 scholarships to high-performing and deserving youth, supporting their higher education through monthly endowments. This programme is conducted in a form similar to the “Mahapola” Scheme and is awarded to students who obtain highest marks in the A/L Examination.

“Hapana” Programmes: Given the conditions that prevailed during the year, the Bank was compelled to restrict the annual seminars held under this programme, which aims to support students sitting for the Grade five scholarship examination. We conducted 12 programmes prior to the outbreak of the pandemic while a digital smart classroom was launched for the remainder of the year, in collaboration with tvBOC. This initiative benefited 5,087 students and 3,516 parents.

Grade 5 Scholarships: In 2020, the Bank awarded 2,000 scholarships at an investment of LKR 30.0 million for “Ran Kekulu” account holding students who obtained the highest marks at the Grade Five Scholarship examination and recognising all successful candidates with a gift packs.

You are a Leader programme: This programme is conducted in partnership with Asset Radio Broadcasting (Private) Limited (Neth FM radio station) and aims to nurture future leaders through conducting workshops for students, parents and special teacher training programmes. Prior to the outbreak of COVID-19 in March 2020, we conducted three such workshops, with a beneficiary base of over 1,500 students; the programme was temporary suspended following the outbreak of the pandemic.

Supporting Education

The Bank provides ongoing opportunities for training and skill development to its employees and during the year invested LKR 50.8 million in offering an average of 58.3 hours of training per employee (Refer to page 58 for further information)



Financial literacy and customer education

BoC conducts numerous customer awareness and financial literacy programmes across the Island, nurturing financial discipline and building business across the customer segments. Programmes in 2020 included the following:

- Awareness campaigns on the “Divi Udana” loan scheme
- Awareness programme for self-employment
- Entrepreneur support forums
- Special sessions for sector entrepreneurs
- Awareness programme for Government sector employees
- Women’s entrepreneurship support
- Digital literacy programmes
- Development programme for rural lending and micro-finance customers



SDG 5: GENDER EQUALITY



Sri Lankan context: Although females account for 52% of Sri Lanka’s population, labour force participation is relatively low at 36%

Our approach: BoC is an equal opportunity employer and we always support women at work by providing maternity leave, flexible transfer policies etc

Relevant SDG Targets	BoC’s Contribution
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% female representation across the Bank, including 11% at Corporate Management level and 46% and Executive Management level (refer page 58)
Target 5.a: Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws	LKR 859.6 million lending to women Special Programme to uplift the skills of women entrepreneurs



Empowering Women Entrepreneurs

BoC has implemented several dedicated lending and investment products targeting women entrepreneurs, offering a holistic proposition which includes financial support, capacity development and financial literacy. During the year, the Bank disbursed over LKR 859.6 million (or 1,575 facilities) through the “Siriliya Saviya”, BoC Smart Lady and SME LoC for women entrepreneur empowerment and conducted two financial awareness programmes targeting women. The BoC also has a dedicated savings product for women named “BoC Smart Lady”.



SDG 11: SUSTAINABLE CITIES AND COMMUNITIES



Sri Lankan context: As per the 2012 population and housing survey 83% of Sri Lankan population lives in homes owned by them. Slums are reported as 0.8% of total housing.

Our approach: Direct funding to people via home loans at affordable interest rates allows us to cater significant portion of housing development of the country.

Relevant SDG Targets	BoC's Contribution
Target 11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums	The Bank disbursed LKR 78.2 billion of housing loans during the year.



SDG 7: AFFORDABLE AND CLEAN ENERGY



Sri Lankan context: The country's energy mix is dominated by thermal sources, with coal and fuel-oil accounting for more than 65% of the country's electricity generation in 2019. Non-conventional renewable energy sources comprise primarily of mini-hydro and solar power and accounted for 10% of the energy mix.

Our approach: Reducing its carbon footprint through increasing reliance on renewable energy is a key environmental priority for the Bank. This is actioned through its drive to convert branches to solar energy and Green Buildings- in line with the requirements set out by the Green Building Council of Sri Lanka.

Relevant SDG Targets	BoC's Contribution
Target 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.	Lending to renewable energy projects LKR 568.7 million 2,122 MWh generation of renewable energy through solar branches

Solar Powered Branches

Through an ambitious project initiated in 2015, the Bank has to date converted 51 branches to solar power, thereby reducing reliance on fossil fuels. Despite the challenges that prevailed during the year,

The Bank's energy consumption in 2020 is given below:

Energy	Unit	2020	2019	% Change
Electricity consumed	Mwh	18,514	21,677	(15)
Fuel consumed	Liter	420,337	830,420	(49)
Renewable sources	Mwh	2,122	1,341	58

Lending to renewable energy projects

The Bank is a PFI for funding lines which promote the use of renewable energy, including Rooftop Solar Generation line of credit. Total disbursements by the Bank for renewable energy generation amounted to approximately LKR 568.7 million during the year. In encouraging the solar adoption, the Bank reduced the interest rate applicable for rooftop solar installation projects up to 4% during the year and committed to financing up to 80% of the investment for facilities of 50Kw or less.

we continued this drive, converting nine branches in 2020 with a further 10 in the pipeline. Progress made during the year is presented alongside.

Green Buildings

The Bank obtained the prestigious GREENS rating by the Green Building Council of Sri Lanka for four branches during the year, bringing the total count to six by end-December 2020. The rating system defines a set of performance standards which aim to promote healthy and affordable environmentally sound practices. The parameters include requirements on energy and atmosphere, materials, indoor environmental quality and innovation and design process, among others.

Converting branch network to solar powered branches

LKR 39.2 million
investment in 2020

LKR 327.2 million
investment to date

2,121 kWh
of renewable energy generated

838.2 MWh
supplied to national grid

7%
electricity requirement fulfilled

51 branches powered by solar

How we plan to get there

Stability, Governance and Sustainable Growth

**SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION**

Sri Lankan context: The lack of a coherent national waste management policy in Sri Lanka has resulted in ineffective practices, with just an estimated 50% of the country's total waste generated being collected in a systematic manner.

Our approach: 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.

Relevant SDG Targets	BoC's Contribution
Target 12.2: By 2030, achieve the sustainable management and efficient use of natural resources	1.1 million A4 sheets saved through process automation
Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	8,477 kg of paper recycled

Responsible Lending Practices

As a Bank with a significant reach, we are cognisant of the critical role we can play in propagating sustainable practices through our lending decisions. A comprehensive Environmental and Social Management system was introduced in 2018, with guidelines in place to screen all development lending via ADB special credit line. Although the Bank planned on extending ESMS criteria for its entire lending portfolio, the difficulties wrought on customers this year due to the COVID-19 pandemic resulted temporarily setback in the progress. A special unit on ESMS is to be created in the Bank's risk management division which will spearhead implementation of ESMS. As at the end of the year 681 officers were trained on ESMS.

Paper Consumption

The implementation of seven automated workflows and paperless processing through an integrated Document Management System has led to consistent declines in paper consumption. Paper savings generated during the year amounted to 1.1 million sheets of paper and stemmed from savings in automation of KYC, covering approvals and personal loans among others. In addition, over 800,000 customers have registered for e-statements as at end of 2020.

Waste Management

The main types of waste generated by the Bank's operations are used paper and e-waste. Saving paper is encouraged throughout the organisation and used paper is recycled through registered recyclers. During the year, 8,477 kg of used paper and 1,507 kg of cardboard and newspapers were sent for recycling.

**SDG 3: GOOD HEALTH AND WELLBEING**

Sri Lankan context: The pandemic has led to considerable stress on the country's healthcare sector. Despite these short-to-medium term stresses, Sri Lanka's health indicators are strong with a maternal and neonatal mortality rate continue to remain lower.

Our approach: During the year, the Bank placed strategic emphasis on ensuring the safety of its employees, customers and communities through implementing stringent protocols, above and beyond the guidelines prescribed by the health authorities. These initiatives are discussed on page 9 of this Annual Report.

Relevant SDG targets	BoC's Contribution
Target 3.2: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all	LKR 23.9 million spend on personal protective equipment of the staff

Target 3.d Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks

Effective management of the pandemic across our operations

**SDG 13: CLIMATE ACTION**

Sri Lankan context: Sri Lanka remains vulnerable to climate related risks, where changes in weather patterns could adversely affect living standards of the population. According to the World Bank, around 19 million people in Sri Lanka currently live in locations which would become moderate or hot spot by 2050.

Our approach: In recent years, BoC has implemented mechanisms to systematically compute the carbon footprint of its operations, gradually increasing the scope of the computation to obtain a complete picture on the Bank's environmental footprint.

Relevant SDG Targets	BoC's Contribution
Target 13.2: Integrate climate change measures into national policies, strategies and planning	Strategic imperative sustainability, governance and sustainable growth

Implications of climate change:

The Bank is exposed to climate related risks through its agricultural and tourism related portfolios, the performance of which is directly linked to vagaries of weather. Climate change could also in the longer- term affect the tourism sector, given continuous degradation of natural resources which in turn will impact the attractiveness of Sri Lanka as a tourist destination.

Computation of carbon footprint: The Bank computes its carbon footprint based on the guidelines prescribed by the GHG Protocol of the World Resource Institute. BoC was the first state Bank to obtain the ISO 14064 - 1 certification on quantification and

reporting of Green House Gas emissions. During the year, we widened the scope of the computation to include Scope 3 and 4 emissions/ ISO 14064-1:2018 'Categories 3 and 4 which comprises the following:

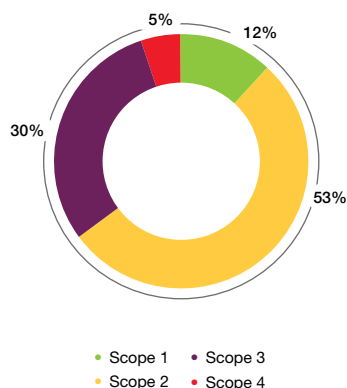
- Third-Party deliveries - inbound and outbound (stationery, courier etc)
- Hired vehicles
- Employee commuting (from home to workplace) and fuel allowances provided business travel and commuting purposes
- Foreign business travel
- Waste disposal
- Purchased electricity transmission

Efforts to reduce/ offset the Bank's carbon footprint,

Increase reliance on renewable energy through solar generation at branches (pg. 69)

Tree planting project-"Haritha Arana"

Emissions Summary of BoC (tCO₂eqv)



SDG 15: LIFE ON LAND



Sri Lankan context: Sri Lanka's forest cover has recorded gradual decline over the decades with an estimated annual deforestation rate of 1.1%. Accordingly, the country's forest cover has reduced from nearly 50% in 2005 to 17% in 2019.

Our approach: The Bank's "Haritha Arana" programme aims to contribute towards increasing the country's forest cover in line with the Government's "Wana Ropa" initiative.

Relevant SDG Targets	BoC's Contribution
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	40,000 trees planted under the "Haritha Arana" reforestation programme

Total GHG emission

17,620 tCO₂eqv.

Total GHG emission intensity ratio

2.1

Launched in line with the Bank's 80th Anniversary, through BoC "Haritha Arana", the Bank partnered the Department of Forest Conservation to restore 100 acres of degraded forest in the "Hurulu" Conservation Forest in Habarana by planting 80,000 trees. During the year LKR 15.6 million was invested towards this project with 40,000 saplings planted. The total cost of the project at the end of the year was LKR 29.0 million and a total of 80,000 trees are being nurtured to a grown upforest as part of the restoration process. This programme is well aligned with the Government's Island-wide initiative of "Wana Ropa" which aims to add 2,889 hectares to the national forest cover.



SDG 17: PARTNERSHIP FOR THE GOALS



Sri Lankan context: The Government of Sri Lanka has over the years placed emphasis on developing public-private partnerships, mainly for the development of infrastructure, technology and improving services across sectors.

Our approach: The Bank leverages partnerships across its ecosystem to drive shared value creation through mutual partnerships.

Relevant SDG Targets	BoC's Contribution
Target 17.17: Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships	Innov Bank Symposium, to facilitate knowledge transfer and build-up of intellectual capital
Target 17.18: Fully operationalise the science, technology and innovation capacity-building mechanism for least developed countries by 2017 and enhance the use of enabling technology, in particular information and communications technology	



How we plan to get there

Stability, Governance and Sustainable Growth

Innov Bank Symposium

The Bank launched a unique initiative, “Innov Bank” in 2019 with the aim of supporting the creation of intellectual knowledge through providing a platform for researchers, students and academic institutions (among others) to put forward their proposals and ideas on technological capabilities. Concepts and proposals were called under the disciplines of fintech solutions, business process re-engineering, artificial intelligence, big data and application of MIS.

Proposals received were assessed objectively through independent expert evaluators; the evaluation comprised three stages including initial screening by industry experts, short listing of applications were based on expediencey and viability. The final event was conducted virtually as a webinar. Proposals received and selected under the various disciplines are given below:

	Proposals received	Selected for final evaluation
Fintech solutions in banking	19	3
BPR in banking	22	3
Innovative financial products and services	50	7
Artificial Intelligence in financial services	14	3
MIS and Big Data analytics	16	4
Total	121	20

Supply chain partnerships

The Bank engages with a host of suppliers through which it procures IT equipment, stationery and other equipment as well as numerous service providers who ensure the smooth continuity of operations. Procurement related functions come under the purview of the Properties and Procurement Division. In 2020, the Bank initiated proceedings to automate its procurement process, through registering on PROMISE the Ministry of Finance’s e-procurement initiative.

There were no incidents relating to child/ forced labour or incidents of loss of association of collective bargaining and rights to freedom in 2020. We continued to conduct supplier spot audits to ensure compliance with basic environmental and social standards and conducted five such audits during the year.

Environmental and Social Criteria included in Selection/ Evaluation of Suppliers

Generators	Air Conditioners	UPS Units	Photocopiers/Printers
Comply with ISO-14001	Air conditioners with R410 and R32	Comply with ISO-14001	Multifunctional machines which can print, copy, scan, fax and network
Comply with European Commission emission standards	Comply with European Commission emission standards	Implementation of battery recycling procedures	Cost per copy
Minimise sound pollution			Energy star compliance More eco-friendly ink jet printers

428 suppliers

LKR 5.1 billion
payments to suppliers-
90% of total payments to suppliers

Local individuals/ sole partnerships

83 suppliers

LKR 68.4 million
payments
1% of total payments to suppliers

Companies registered outside
Sri Lanka

21 suppliers

LKR 484.1 million
payments
9% of total payments to suppliers

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 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



Excellence in Performance

- Sri Lanka's No. 1 Bank among Top Thousand banks - "The Banker"
- Listed among Top 500 largest banks in Asia Pacific Region - "The Banker"

No. 1 Banking Brand in Sri Lanka

- No.1 Banking Brand for the 12th consecutive year by Brand Finance

Excellence in Performance

- Top 10 Most Admired Companies in Sri Lanka – International Chamber of Commerce/ CIMA/ Daily FT
- People's Banking Service Provider of the Year - SLIM Nielsen People's Awards 2020

Human Resources Awards

- Best HR Organization to Work For – Global HR Excellence Awards 2020
- Best Employer Brand Award – Sri Lanka Best Employer Brand Awards 2020
- Top Employer 2020 – Ranked amongst the top 20 employers of CIMA members – CIMA

Sustainability

Best Corporate Citizen Sustainability Award 2020-
The Ceylon Chamber of Commerce , Sri Lanka

- Top 10 Best Corporate Citizens of Sri Lanka
- Triple Bottom line Award Winner : Economic Sustainability
- Category Award Winner : Financial Performance
- Category Award Winner : Employee Relations

Gold Awards for Green Building - Green Building Council

- Panadura City Branch
- Malsiripura Branch
- Walasmulla Branch

Technology

- "Best digital enabled product" for SmartPay at SLT Zero One Award
- 1st runners up award for "Best use of mobile" for SmartPay at SLT Zero One Award

Delivering Value

Integrated value creation through our strategy

Financial Capital	Manufactured Capital	Human Capital	Intellectual Capital	Social and Relationship Capital	Natural Capital
Financial Capital + Loans and advances (% change) 28 - Moratoriums granted (LKR billion) 589.4 - Gross NPA ratio (%) 4.8 + CSR investment (LKR million) 75.3 + Deposits (% change) 23 - Profit after tax (% change) 23	Manufactured Capital + Digital transactions (% of volume) 23% + Network of ATM, CDM and CRM (No.) 1,330 + Branches in economically deprived areas (No.) 138	Human Capital + Remuneration per employee (LKR million) 1.8 + Diverse team (% of female employees) 60 + Average training hours per employee 58.3 + Revenue per employee (LKR million) 29.1	Intellectual Capital - Brand value (LKR billion) 47.9 + Most Valuable banking brand in the country + Time saving on workflows (%) Personal loans (88) Debit card issuance (50)	Social and Relationship Capital + Customer acquisition (No.) 400,000 + Customer contact points (% change) 6 + Online banking registrations (% change) 62 + "Saubagya" loans disbursed (LKR billion) 39.1 + Facilities under moratoriums (No.) 258,620 + Customers supported through branch on wheels (No.) 40,717	Natural Capital + Renewable energy generated (mWh) 2,122 + Paper recycled (kg) 8,477 - Emissions (% change) Scope 1 (31) Scope 2 (26)

- + Value creation
- Value erosion

Value creation and erosion through strategy



Making trade-offs

Supporting our customers through moratoriums, low-interest rate facilities and debt relief has impacted the Bank's financial capital through implications on performance. However, this approach has enhanced our Social and Relationship capital through strengthening customer relationships which in turn would lead to better loyalty and a further sharpening of our competitive edge.

Investments in digital infrastructure have a short-term adverse impact on financial capital, although over the longer-term it would strengthen our Social and Relationship capital (through increased customer convenience and accessibility), Intellectual capital (through process efficiencies) and Financial capital (cost-savings and increased revenue generation).

We have continued to direct investments towards enhancing the credit skills of our employees, which in turn would lead to the creation of a credit-conscious organisational culture and a team skilled in credit management. Over the longer-term this would support the Bank's financial performance through better portfolio quality.

Considerable financial resources directed towards ensuring the safety of our employees, had an adverse impact on our financial capital. However, these investments supported our human capital, enabling continuity of operations during the pandemic. Ongoing investments in training and development have also strengthened the quality of our human capital, leading to the creation of a unique base of organisational capital.

Our efforts to embed sustainability to our value creation process will over the long-term drive the strengthening of Social and Relationship capital through meaningful relationships with communities and business partners. Meanwhile ongoing investments in environmental initiatives will enable the preservation of Natural capital, thereby contributing towards sustainable development.



Chief Financial Officer's Review



W P Russel Fonseka
Chief Financial Officer

“The unprecedented operating conditions that prevailed during the year compelled BoC to sharpen its focus on balancing stakeholder interests as well as short, medium and long-term priorities. The Bank made significant strategic and operational progress, although financial performance was inevitably impacted, reflecting the Bank’s unparalleled efforts to absorb the economic fallout of the pandemic and support broad-based business revival. While the environment gradually recovering, BoC is steadfast in its commitment to drive the country’s economic revival, aligning with the Government’s national development agenda while strengthening its competitive position and capitalising on opportunities presented by the post-pandemic world”

A Challenging Macro-Economic Landscape

As economic growth plummeted across the world reflecting the deep economic scars of the pandemic, Sri Lanka too saw a GDP contraction of 3.6% in 2020 with broad-based declines across all industry sectors (refer to page 39 for further information). The resultant impacts on businesses were inevitable and financial institutions witnessed deteriorating credit quality. Meanwhile, the CBSL and Government announced comprehensive and co-ordinated relief measures comprising debt moratoriums, access to concessionary funding, reductions in policy rates and other measures to ensure the stability and liquidity of financial intermediaries (refer to page 38 for further information).

Sustained decline in interest rates and imposition of interest rate caps on lending products

Weakening credit quality and consequent increase in impairment charges

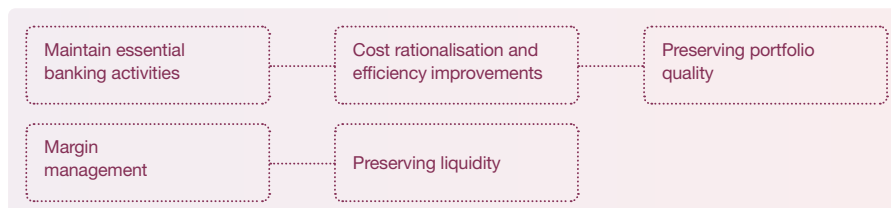
Exchange rate volatility

Import restrictions and resultant implications on trade finance business

Cash flow deferments from loans under moratorium packages

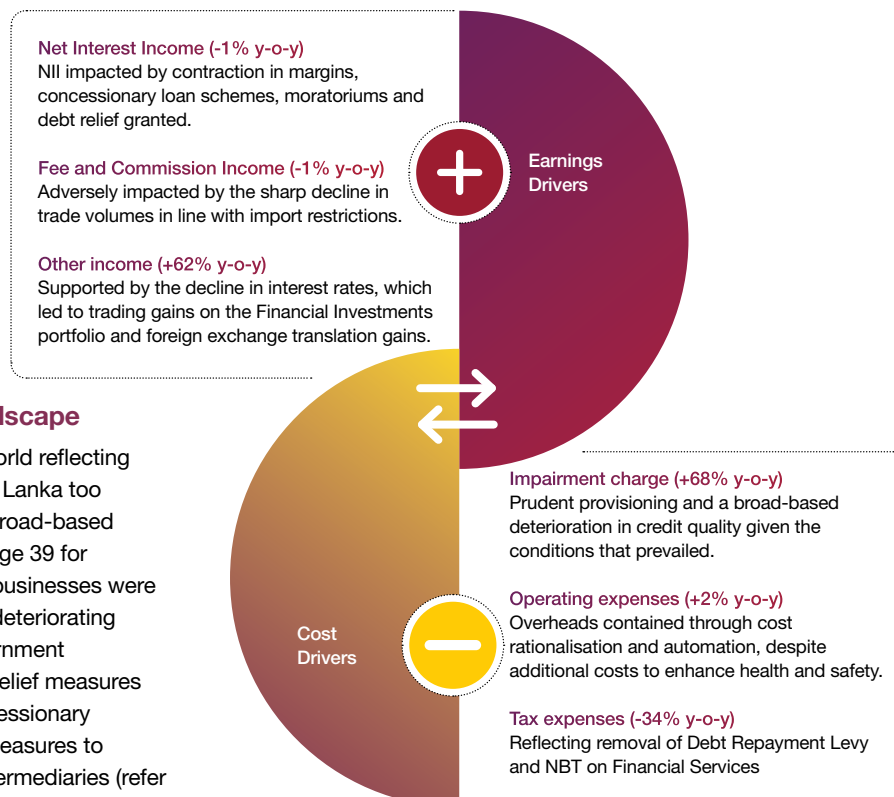
Strategic Agility

As the operating landscape shifted dramatically, BoC proactively sought to adapt and evolve its strategy and Corporate Plan to suit emerging dynamics. Accordingly, the Bank placed foremost priority on supporting its customers through numerous debt relief mechanisms. These measures are been discussed in further detail on page 54 of this Report. The Bank’s ability to refine its strategy and drive consistent implementation across its extensive branch reach, attests to BoC’s agility and resilience in challenging times. Other priorities for 2020 included the following:



Implications of the Pandemic on Our Performance

The impacts of COVID-19 on the Bank’s financial performance and position is illustrated in the following presentation and described in further details in subsequent pages.



Chief Financial Officer's Review

Assets		Liabilities and Equity	
Cash and cash equivalents (+30% y-o-y) Strong local and foreign currency liquidity levels maintained during the year	Loans and advances (+28% y-o-y) Strong growth in loans and advances as we continued to direct funding to important and priority sectors Debt and other instruments (+27% y-o-y) Maintaining of sufficient liquid assets	Deposits (+23% y-o-y) Healthy deposit growth supported by depositors flight to trusted heavens Subordinated liabilities (+19% y-o-y) Issuance of Additional Tier 1 Perpetual Bond	Total equity attributable to equity holder of the Bank (+10% y-o-y) Strengthening the capital base Achieved a stable CAR

Total Income

Despite the adverse industry conditions that affected both Net Interest Income (NII) and Net Fee and Commission Income, the Bank's total operating income increased by 2% to LKR 93.3 billion in 2020, upheld by growth in other operating income. Meanwhile at consolidated level, the Group's total operating income slightly decreased by 1% to LKR 96.2 billion driven by the same factors.

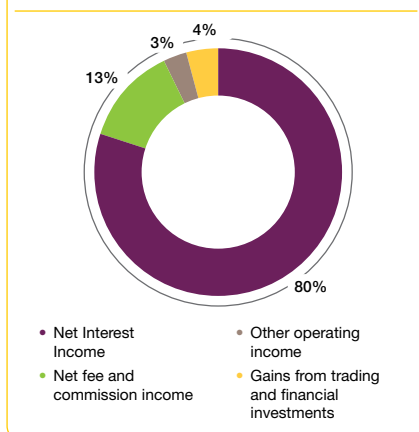
Net Interest Income (NII): The Bank recorded strong loan growth of 28% during the year, reflecting its commitment towards supporting the revival of economic and businesses through continued credit flows. However, growth in interest income was limited to 3% reflecting the sustained decline in interest rates, Government mandated interest rate ceilings on several lending products, moratoriums and the disbursement of loans under concessionary schemes. For instance, with disbursements of LKR 39.1 billion, BoC was the largest lender under the Government's "Saubagya" COVID-19 Renaissance Facility. Meanwhile, given the lag effect of deposit repricing, the Bank's interest expenses increased by 4%, which in turn resulted in the Bank's NII declining by 1% to LKR 74.8 billion. Despite industry-wide pressure on margins, the Bank successfully maintained its NIM at 2.8% (2019:3.2%), reflecting proactive pricing strategies and the Bank's ability to garner low-cost funding through deposits. Further, we expect that, the Bank's loan growth reported during 2020 will be

materialised during 2021 and full reprising of the deposits base will further improve the NII.

Fee and Commission income: Despite import restrictions having a significant impact on the trade finance business, the Bank managed to curtail the decline in net fee and commission income to 1% during the year. This was supported by income generated from transactional banking during the year, in line with the Bank's continued loan growth as well as accelerated growth in digital transactions.

Other Income: Other Income comprises trading and fair value gains/ losses from the Bank's investment portfolio as well as other operating income. The sustained decline in interest rates during the year enabled the Bank to generate significant fair value gains, which together with substantial revaluation foreign exchange gains resulted in other income increasing by 62% in 2020.

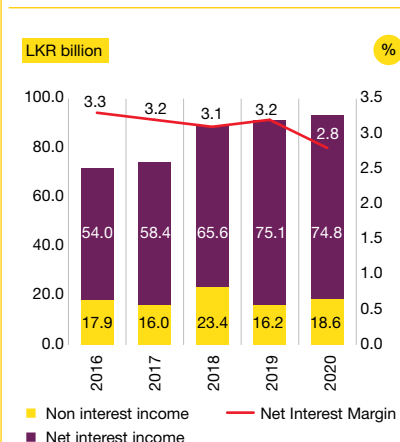
Composition of Total Operating Income



Portfolio quality

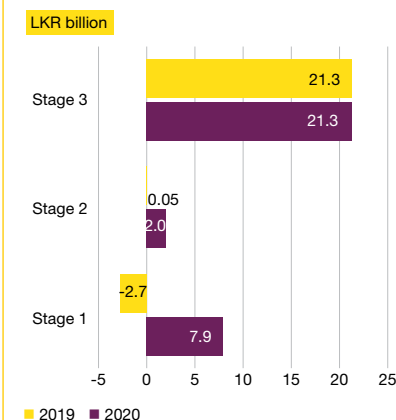
The inevitable economic stress faced by our customers and the Bank's proactive approach in supporting these businesses is reflected directly in the Bank's impairment charge, which increased by 54% to LKR 28.0 billion during the year. We note that the moderation in portfolio quality is broad-based, as businesses and households recorded repayment pressure in view of the sharp downturn in economic activity, as is reflected by an increase in impairments. Meanwhile, the downgrade of Sri Lanka's sovereign rating also necessitated increasing provisioning on certain exposures, given the higher risk weight attached to the relevant investment categories. In line with the Bank's considerable loan growth, the Bank's 12 months Expected Credit Loss (12m ECL) also saw a comparable increase, which has contributed towards the increase in overall impairment charges.

Trend in income



The Bank also made a conscious decision to strengthen its provisioning by adopting a more prudent approach. As moratoriums expire in March 2021, we anticipate certain businesses to face continued repayment pressure, therefore taking a prudent approach to strengthen our financial position, the Bank captured the economic downturn by re-visiting the economic factor adjustment in ECL calculation by increasing the weightages allocated to worst case scenario by 500 bps.

Credit Losses-Loans and Advances and Investments

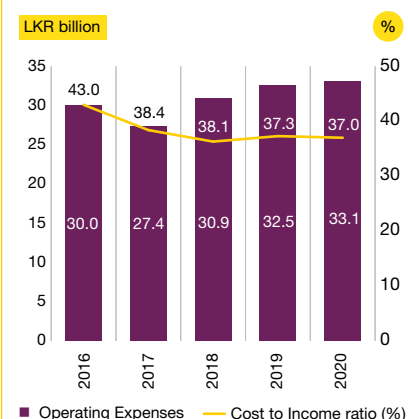


Expense management

Despite increased requirements to enhance health and safety mechanisms across our network to ensure the safety of our team and customers, the Bank successfully curtailed the increase in operating expenses to 2%. This commendable achievement reflects BoC's proactive measures to control selective expenses and concerted efforts to drive cost efficiencies. Personnel expenses accounted for the largest portion of operating expenses and a definitive decision was made to maintain full remuneration of all employees. Other expenses were also curtailed in line with the CBSL guidelines on reducing marketing and training expenditure during the year. Cost management were also supported by the Bank's increasing thrust towards digital workflows and automation, which have resulted in improved process efficiencies. Accordingly, the Bank's cost-to-income

ratio of 37% remained significantly better than the industry average of 44% by end-December 2020.

Cost Management



Tax contributions

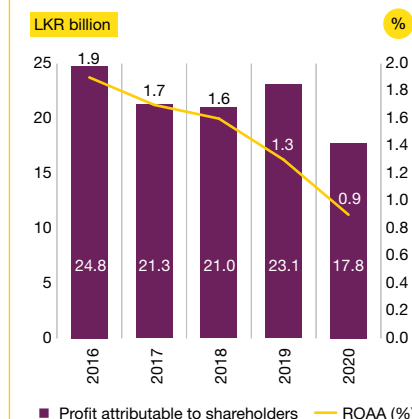
Relief provided by the Government to the banking sector in the form of tax reductions, specifically the removal of the Debt Repayment Levy and NBT have supported the sector's profitability in a challenging year. Accordingly, the Bank's total tax charge for the year declined by 34% to LKR 11.2 billion during the year, with VAT on Financial Services and Income tax reducing by 48% and 12% respectively.

Profitability

As anticipated BoC's financial performance was impacted by the contraction in margins and an increase in impairment costs, which in turn led to the operating profit before tax and profit after tax declining by 21% and 23% respectively during the year. Despite this moderation, BoC remained the most profitable domestic bank in Sri Lanka, generating a profit-after-tax of LKR 17.8 billion during the year. At the consolidated level, the Group's profit for the year declined by 31% to LKR 16.3 billion during the year under review mainly due to negative impact created on performance of Group companies with economic condition. The Bank's Return on Average Assets (ROAA) declined to 0.9% from 1.3% the

year before, remaining more or less in line with the industry average of 1.4% for the year.

Profitability



Assets

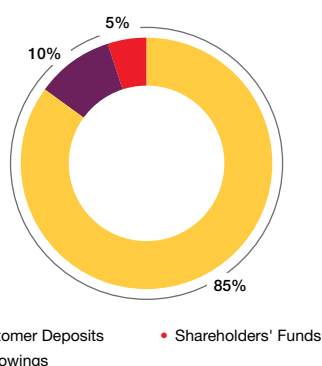
The Bank's asset expansion mirrored its strong loan growth and the growth in investment book during the year, with total assets increasing by 24% to LKR 2.9 trillion during the year. Asset growth was driven primarily by expansion of the loan book, reflecting BoC's persistent efforts to direct credit flows to priority and impacted sectors. Meanwhile, the Group's total asset base increased by 23% to LKR 3.0 trillion by end-December 2020.

- Loans and advances:** The Bank's gross loan portfolio recorded a robust growth of 28% to LKR 2.1 trillion during the year, reflecting broad-based expansion in lending to all key sectors of the economy (Please refer to Business line reviews from page 79 to 81 for more detailed information). Loans were directed primarily towards supporting working capital requirements of businesses, as represented by a 22% increase in terms loans. Loans under schemes also increased by 73% as the Bank channeled funds towards the country's most deserving sectors.

Chief Financial Officer's Review

- **Liquidity and Investments:** BoC's local and foreign currency liquidity positions remained healthy during the year, supported by a strong inflow of deposits and the Bank's successful efforts to obtain foreign currency funding. Accordingly, investments portfolio increased to LKR 786.4 billion during the year, accounting for 26% of total assets. The Bank's liquid asset ratio (domestic) clocked in at 26.6% while the liquidity coverage ratio amounted to 137% comfortably above the regulatory minimums during the year.
- **Property, plant and equipment:** The Bank's PPE increased by 30% to LKR 33.4 billion during the year, mainly due to revaluation gains. Capital expenditure was limited during the year given the conditions that prevailed, although, the Bank continued to drive investments towards strengthening the Bank's digital capabilities.

Funding Profile



Liabilities and Capital

The Bank's total liabilities increased by 24% to LKR 2.8 trillion, mainly due to an influx of customer deposits during the year; deposits increased by 23% during the year and reflects the Bank's unmatched deposit franchise. Given the low interest rate scenario and moderating economic conditions that prevailed during the year, stable, larger banks such as BoC benefitted from a strong influx of deposits. Meanwhile, the Bank's CASA base grew by 35% during the year, which translated to an improvement in the CASA ratio to 35% from 32% the year before.

Given accelerated loan growth during the year, the Bank placed strategic focus on strengthening its capital base. 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, the Bank adopted an innovative approach to raising capital, through the issuance of Additional Tier 1 Capital of LKR 15.0 billion. This instrument was the first-of-its kind to be issued by a Sri Lankan Commercial Bank and attracted substantial interest from institutional investors, leading to its over subscription. Capital was also supported by an effective dividend policy which prioritised internal capital generation, resulting in the Bank's shareholders' funds increasing by 10% to LKR 156.7 billion. Resultantly, the Bank's Common Equity Tier 1 capital ratio amounted to 10.1% while the total capital ratio clocked in at 14.8% by end-December 2020.

Group performance

The Bank has 10 subsidiaries and four associate companies which are involved in diverse operations ranging from financial services, property management services and hydropower generation, among others. The Bank is by far the dominant entity within the Group, accounting for 99% of total assets.

The subsidiaries are managed under a subsidiary charter which 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.

Outlook

As economic activity gradually returns to normalcy and the moratoriums granted expire in March 2021, we will remain committed to supporting the next phase of business recovery through proactive engagement and customised solutions to our customers. In aligning with the national economic development agenda, the Bank will direct funding towards thrust sectors such as exports, local manufacturing, information technology and import substitution, among others. Preserving portfolio quality will be a key priority, as we look to balance our stakeholder commitments with continued financial stability. The Bank's increased focus towards digitisation and automation will aid in building a lean and responsive organisation, which is able to adapt to rapid changes in the operating environment, particularly to in the post COVID-19 environment.

W P Russel Fonseka
Chief Financial Officer

18 March 2021
Colombo

Business Line Reviews

Retail Banking

As the largest contributor to the Bank's NII, the cluster drives BoC's retail proposition across an array of individuals, entrepreneurs and SMEs. Given the conditions that prevailed in 2020, the cluster placed strategic emphasis on spurring the revival of customers through moratoriums, access to concessionary funding and rescheduling/ restructuring facilities

Deposits:

Retail Banking division plays a significant role in raising deposits for the Bank specially under a situation where deposit rate caps were on place by the CBSL and rates were not very attractive. However, during the year deposits of the Retail Banking cluster grew by 24% and was able to maintain CASA ratio at 45%.

Loans and Advances:

In addition to disbursements of LKR 30.5 billion through 17,963 facilities under the "Saubagya" scheme, the Bank supported the revival of the SME sector through disbursements of LKR 128.9 billion during the year. The "Divi Udana" scheme was also launched as a special initiative to revive stressed businesses. We also launched special working-capital schemes and new personal loan schemes for affected individuals including bus drivers, tuition providers and professionals, among others while Development Banking Division launched several new schemes targeting the tourism, construction, agriculture and tea manufacturing sectors.

Customer Engagement:

We engaged closely and proactively with customers facing repayment pressure, offering personalised repayment solutions, debt restructuring and raising awareness on available credit schemes. We also sought to reduce interest rates across the portfolio, expedited the loan approval process to drive and relaxed recovery measures in a bid to support the preservation of customers' liquidity positions.

Key Performance Indicators

	LKR Billion	Change y-o-y (%)
NII	38.8	(13)
Operating income	48.2	(9)
Operating profit	13.2	(40)
Assets	902.0	24
Liabilities	854.7	25

Moratoriums:

In addition to the CBSL-mandated moratoriums, the Bank also introduced its own moratorium scheme. As at end-December 2020, 35% of Retail Banking portfolios were under moratorium. The moratoriums are expected to end in March 2021, although the leisure sector is likely to see a further extension.

Transactional Banking:

Cashless transactions achieved exponential growth, with debit and credit card subscribers have increased by a respective 40% and 10% during the year. The Bank effectively capitalised on the opportunity presented during the year to accelerate its digital journey and drive increased digital adoption.

Financial Inclusion:

Despite the challenges that prevailed, we disbursed LKR 34.6 million under BOC "Mithuru"-our micro financing initiative, adding 125 new groups to the programme. The Bank's Development Banking division also conducted four financial inclusion awareness programmes with a total beneficiary base of 636 customers.

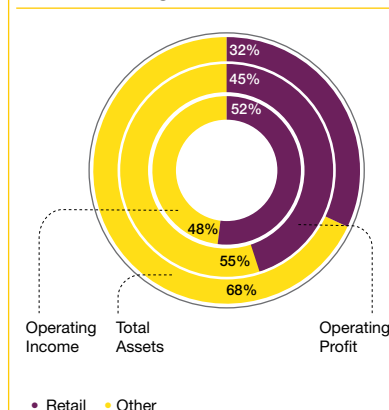
Portfolio Quality:

The Cluster saw an inevitable moderation in portfolio quality, with the gross NPL ratio increasing to 5%. Resources were directed towards ensuring the long-term commercial sustainability of customers, while recovery efforts were relaxed somewhat during the year.

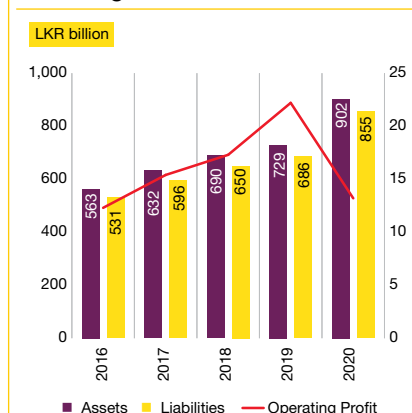
Way Forward:

As economic conditions gradually return to normalcy, we will continue to pursue ways in which we can support business revival through access to funding, personalised solutions and advisory. In line with the Government's agenda, increased focus will be placed on development loans to the SME/ Micro sectors, particularly in the exports and local manufacturing sectors. We will also focus on enhancing the skills of the credit officers attached to our branch network.

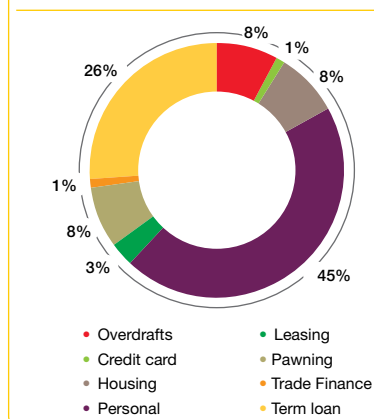
Retail Banking-Contribution



Retail Segment Performance



Composition of Retail Loan Portfolio 2020



Business Line Reviews

Corporate and Offshore Banking

As one of the largest lenders to private sector organisations, Government, state-owned-enterprises and large-scale projects, the cluster plays a vital role in driving economic activity. The importance of this role was further amplified in 2020, as we focused on supporting the revival of businesses and accelerating the economic recovery.

■ Private Sector Lending:

In line with the Bank's overall approach, the cluster focused on business revival during the year. In addition to CBSL guidelines on moratoriums, "Saubagya" COVID-19 Renaissance facility, sought to restructure/ reschedule facilities while minimising enforcement action. Lending to private sector clients constituted 33% of the cluster's loan portfolio and grew by 11% during the year.

■ Customer Support:

Strategic emphasis was placed on continuously supporting our customers through the prevalent challenges. The cluster also established a Business Revival Unit, which proactively engaged with and monitored customers, offering personalised solutions to ease liquidity pressures.

■ Project Lending:

We continued to finance large-scale infrastructure and mixed development projects in several sectors including manufacturing, pharmaceutical and sustainable energy.

Key Performance Indicators

	LKR billion	Change y-o-y (%)
NII	21.9	12
Operating income	25.0	15
Operating profit	4.9	(34)
Assets	1,086.9	29
Liabilities	1,029.8	30

■ Offshore Banking:

The Division's operations were curtailed due to the prevalent conditions although a focus on fee-based income and several successful syndications enabled it to achieve its performance-targets for the year.

■ Trade Finance:

The Division's performance was impacted by import restrictions and subdued business activity during the year. In line with the Government's thrust towards exports, we sought to strengthen export-oriented businesses through establishing 'Export Circle'-a one-stop-shop for financial and non-financial support. We partnered with the Ceylon Chamber of Commerce and EDB to conduct web-based awareness programmes, disseminating knowledge on the available trade finance solutions.

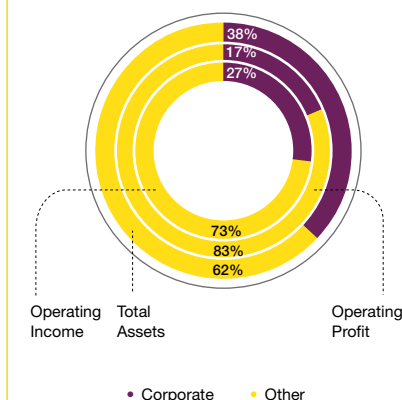
■ Portfolio Quality:

Understandably, portfolio quality weakened during the year as customers faced the inevitable economic toll of the pandemic. We continued to maintain close and continuous engagement with customers offering facility moratoriums, restructuring, rescheduling and financial advisory role aiming on business revival, with the aim of ensuring their commercial sustainability.

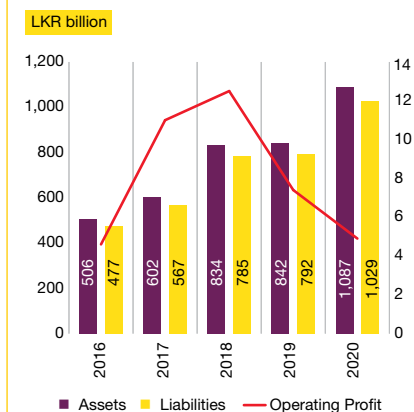
■ Way Forward:

We are optimistic about the growth prospects presented by the Government's thrust towards exports and local manufacturing and will support the development of these sectors. Client acquisition will be a key priority going forward while we place parallel importance on supporting the revival of existing customers.

Corporate and Offshore Banking- Contribution



Corporate Cluster Performance



Business Revival

LKR 233.2 billion
moratoriums granted to 1,841
customers

LKR 8.6 billion
626 "Saubagya" loan facilities granted



Business Line Reviews

International, Treasury, Investment and Overseas Operations

The cluster comprises the International Division which engages in foreign currency related transactions, the Treasury Unit which is responsible for managing the Bank's liquidity position and mitigating exposure to market risk. The cluster delivered a strong performance in 2020, contributing 21% to the Bank's operating income.

■ Treasury:

The market volatilities that prevailed in 2020 amplified the importance of the Unit's role in managing the Bank's liquidity levels and monitoring asset and liability maturity mismatches. Despite the many challenges that prevailed, the Unit strengthened liquidity buffers, reduced its funding cost by approximately 2%, successfully negotiated a long term financing facilities worth of USD 700 million with foreign borrowers and directed investments towards Government securities and international sovereign bonds. The Bank effectively utilised opportunities presented by the volatile market conditions to record capital gains of LKR 415.0 million from the Government securities market. BoC also played a pivotal role in stabilising the Sri Lankan rupee, by actively participating in the foreign exchange market.

■ International division:

BoC maintained its leadership position in international remittances, with a market share of 40% in 2020 and recording strong growth from Middle Eastern markets. Despite the prevalent operating conditions the Division offered uninterrupted service to its customers and played a critical role in facilitating the remittances of migrant workers. The Bank continued to expand its reach, forming 17 new correspondent relationships and partnering with one new exchange house during the year. The Division is currently in the process of upgrading its Smart Remit System and completed 10 new API integrations and also continue to engage with current and prospective migrant workers through 20 felicitation ceremonies, 51 awareness programmes and seven documentary programmes in partnership with the "Ethera Methera" media term.

Key Performance Indicators

	LKR billion	Change y-o-y (%)
NII	14.1	35
Operating income	19.6	30
Operating profit	11.3	12
Assets	861.9	22
Liabilities	816.6	22

■ Investment banking:

The Division's performance was somewhat impacted by stock market volatility during the first part of 2020, although these losses were offset by strong recovery during the latter part of the year. The Division also successfully raised LKR 15.0 billion through the issuance of Basel III Compliant, Unlisted, Unsecured, Subordinated, Perpetual, Additional Tier I Capital Bonds with Non-Viability Write Down features, the first-of-its kind to be issued in the Sri Lankan debt market.

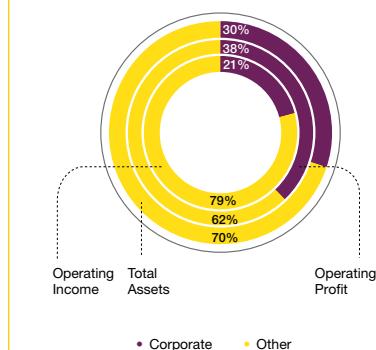
■ Overseas:

The Bank proactively sort to support customers of its overseas branches through offering moratoria and debt relief in line with the guidelines prescribed by the relevant regulators. Stringent measures were also adopted to ensure the safety of our employees and customers across all overseas branches. The Chennai branch celebrated its 25th Anniversary during the year and continued to support regional businesses through lending for capital investments and working capital purposes. The Bank also strengthened the digital offerings of our branches, focusing on enhancing customer experience and driving efficiencies.

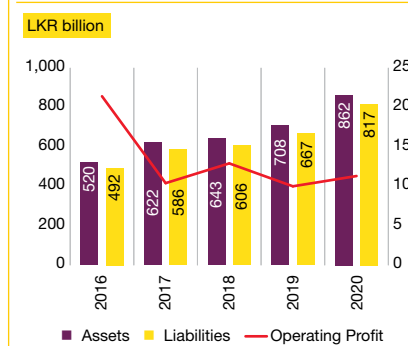
■ Way Forward:

As economic conditions gradually return to normalcy in 2021, we will focus on leveraging our digital capabilities to drive increased automation and efficiencies. The Treasury unit will continue to explore avenues to strengthen BoC's funding position, particularly given our aspirations in supporting the economic revival during the year. We will also pursue further expansion of our international operations, as we seek to penetrate new markets.

International, Treasury, Investment and Overseas branches- Contribution



International, Treasury, Investment and Overseas branches- Performance



Exchange companies

Australia	4
Bahrain	5
USA	5
United Kingdom	7
Qatar	13
Oman	11
Kuwait	15
Jordan	2
Japan	2
Italy	2
Israel	2
Cyprus	1
France	1
Singapore	2
Switzerland	1
Lebanon	1
Malaysia	1
UAE	17



Stakeholder Engagement

Feedback received from the Bank's stakeholders form a critical input when formulating strategy, designing products and determining delivery channels. Given the size and depth of its operations, the Bank has the opportunity of reaching a diverse and large base of stakeholders; formal and informal platforms are in place to proactively identify and respond to their varying needs. The Bank selects and engages with the stakeholders who are likely to be most impacted by its decisions and who in turn have the most significant impact on its value creation. Engagement is facilitated through numerous formal and informal platforms and the feedback thus obtained forms a vital input in our corporate planning process.

How we engage:

- One-to-one meetings with large investors (periodic)
- Investor presentations and roadshows (periodic)
- Engagement through market intermediaries (ongoing)

Key topics and concerns

- Returns commensurate with the risks assumed
- Clarity in terms and conditions
- Transparent and timely reporting on the Bank's performance and outlook

Investors

Government and Regulators

How we engage:

- Meetings on matters relating to performance and compliance (periodic)
- Annual Report and other publications (ongoing)
- Regulatory and compliance reporting (ongoing)
- Industry forums and meetings (ongoing)

Key topics and concerns

- Supporting businesses and driving the revival of the economy
- Maintaining confidence within the financial sector
- Fulfilling funding needs of the GOSL
- Alignment of national development agenda to Bank's strategy
- Strong governance and risk management practices
- Facilitating financial inclusion

How we engage:

- Employee engagement surveys (periodic)
- Trade union engagement (ongoing)
- Open door culture (ongoing)
- Multi-level staff meetings (ongoing)
- Grievance handling mechanism (ongoing)
- Work life balance initiatives (ongoing)
- Performance Management System (PMS)
- Learning and Development
- Whistle Blowing policy
- Multi religious programmes

Key topics and concerns

- Health and safety
- Opportunities for remote working
- Opportunities for career and skill development
- Freedom of association
- Equal opportunity in remuneration and promotions
- Performance-oriented organisational culture

Employees

Communities

How we engage:

- Engagement through branches (ongoing)
- CSR activities and sponsorships (ongoing)
- Press releases and media campaigns (ongoing)

Key topics and concerns

- Contribution towards community development projects
- Responsible business practices
- Financial inclusion and empowerment
- Employment generation

How we engage:

- Engagement through branch managers and relationship managers (ongoing)
- Engagement through the Bank website, digital channels and social media (ongoing)
- Customer Satisfaction surveys (periodic)
- Customer hotline-1975 (ongoing)
- Marketing, advertising and promotions (ongoing)
- Financial literacy programmes (ongoing)
- Whistle Blowing policy

Key topics and concerns

- Debt relief and access to concessionary funding
- Ease of transaction
- Accessibility and convenience
- Customer care and service quality
- Providing access to finance
- Transparent pricing
- Inclusive communication

Customers

Suppliers

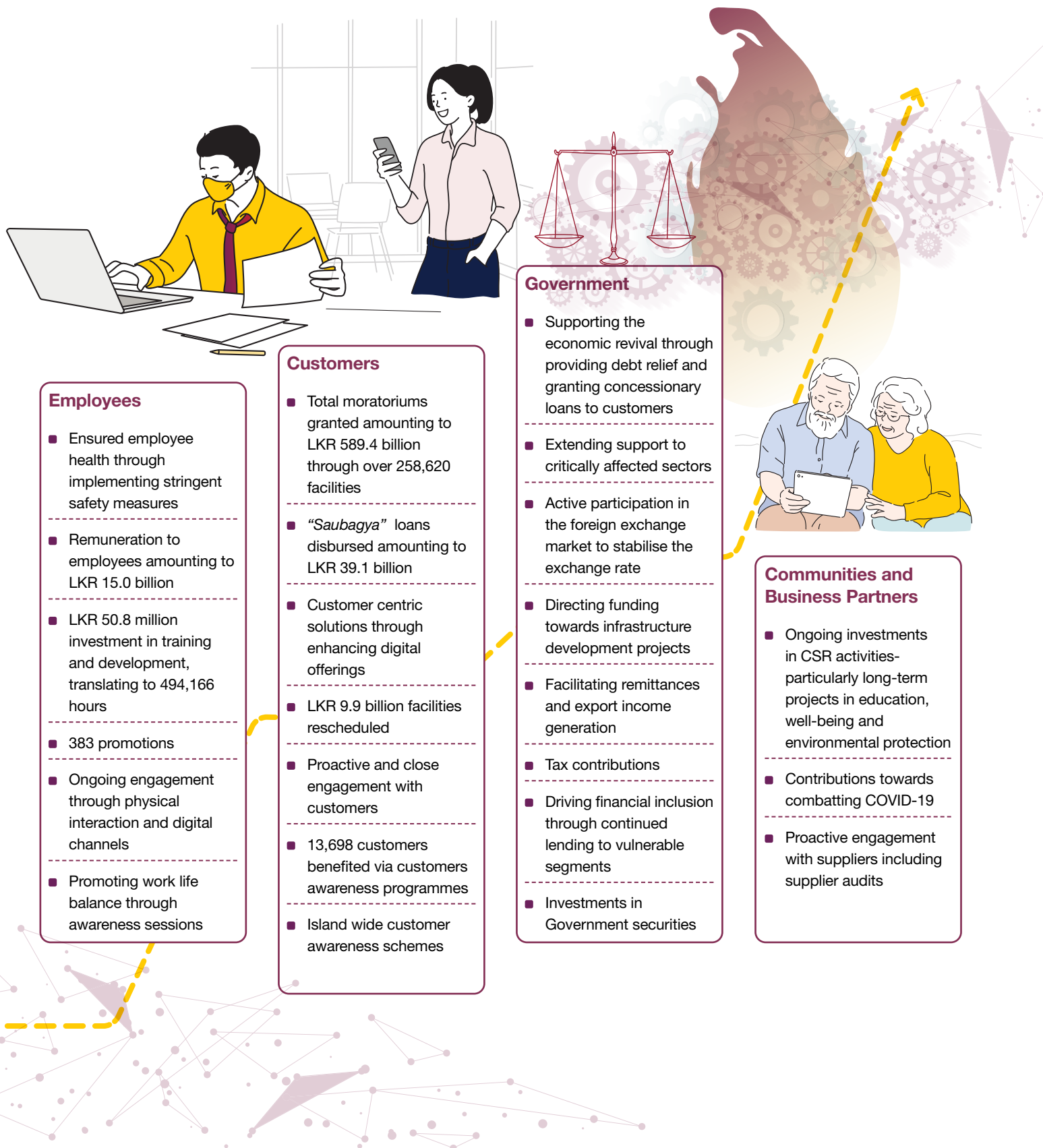
How we engage:

- Written communication (ongoing)
- Regular meetings (ongoing)
- Bidding process (periodic)
- Quarterly publications on Financial statements and the Annual Reports
- Publicity in print media

Key topics and concerns

- Ease of transacting and transparent pricing, terms and conditions
- Timely payments
- Secure and predictable demand

Stakeholder Value Creation in 2020





SUPPORTING ECONOMIC GROWTH

LKR 144.0 billion

Lending Agriculture and
fisheries sector

LKR 157.9 billion

Lending to infrastructure
development projects

LKR 270.6 billion

Lending to Commercial
Trade sector

LKR 128.9 billion

Funding to SME sector

LKR 116.1 billion

Lending to Manufacturing
sector

LKR 488.3 billion

Lending to Housing and
Construction

LKR 206.9 billion

Funding to Transportation
and Logistics services

Corporate Governance

Chairman's Message on Corporate Governance

It was a year of unprecedented and extraordinary challenges, which brought to focus the critical importance of effective, ethical and adaptable leadership. The Bank's robust corporate governance framework and practices offered a solid foundation for navigating the complexities stemming from the operating landscape in 2020 and was undoubtedly a driving factor behind BoC's resilience and agility during the year.

Board Renewal

A new Board was appointed in January 2020. In addition to combining diverse demographic, skill and industry expertise, Directors' competencies are aligned to the strategic aspirations of the Bank, with special emphasis on digital capabilities and expertise in banking. I take this opportunity to extend my gratitude to Mr Hasitha Premaratne and Mr Lalith P Withana, Independent Non-Executive Directors who resigned from the Board towards the latter part of the year for their valuable contribution. I also welcome Major General (Rtd) G A Chandrasiri and Mr Jayampathy Molligoda, who were appointed to the Board as Independent Non-Executive Directors

in recent months and look forward to working with them in the future.

Board Focus Areas

Given the conditions that prevailed during the year, the Board's key priority was identifying and responding to the implications of the COVID-19 global pandemic. Emphasis was placed on ensuring the safety of our employees and customers, driving the continuity of operations to ensure the uninterrupted provision of essential banking services and exploring means of reviving affected businesses through debt relief and concessionary schemes. 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 Cyber Security risks. It is noteworthy that all Board operations continued without disruption, by immediately shifting to digital platforms. Board engagement was considerably strengthened during the lockdown period, with weekly virtual meetings and Pre-Board meetings being held to ensure that the Board was kept abreast with all emerging developments.

Compliance

This Report sets out our approach to governance in practice, how the Board operated in 2020 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 issued by the Central Bank of Sri Lanka. The Bank has also voluntarily adopted the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in December 2017.

Way Forward 2021

As Sri Lanka's leading bank, BoC has been called upon to play a leading role in the country's economic revival. It is a role we are proud and committed to fulfil and we will continue to explore customer-centric, relevant and innovative ways to support customers through the crisis and ensure their commercial sustainability over the medium-to-long-term.

Kanchana Ratwatte
Chairman

18 March 2021
Colombo

Our Governance Philosophy

As Sri Lanka's largest domestically systemically important Bank, BoC's stability and sustainability is vital in ensuring the smooth functioning of the country's financial system and retaining public confidence in the banking sector. This underscores the critical importance of the Bank's Corporate Governance practices, which drives the delivery of multi-stakeholder value while ensuring adaptability to the rapidly

changing operating landscape. As the Bank seeks to transform itself to a future-fit organisation, while leveraging on its inherent strengths, the solid governance foundation is expected to be an anchor which leads to greater transparency, accountability and effective risk management.

Governance Framework

BoC's Governance Framework has been designed to address the varying needs of the Bank's diverse stakeholders,

particularly given its status as a state-owned Systemically Important Bank. The framework aims to address potential trade-offs between long-term and short-term outcomes while ensuring an appropriate balance of power and accountability across the Bank. The governance framework is built on the following external and internal steering instruments:

External Instruments

- Bank of Ceylon Ordinance No. 53 of 1938 and its amendments (referred to as "Ordinance")
- Banking Act No. 30 of 1988 and its amendments
- Banking Act Direction No.11 of 2007 on Corporate Governance for Licensed Commercial Banks
- Circulars applicable to the Bank issued by the Government
- Continuing listing requirements of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance issued by the Chartered Accountants of Sri Lanka in December 2017

Internal Instruments

- Board Charter
- Subcommittee Charters
- Code of Business Conduct and Ethics
- Comprehensive policies and procedures
- Subsidiary Management Charter
- Customer Charter

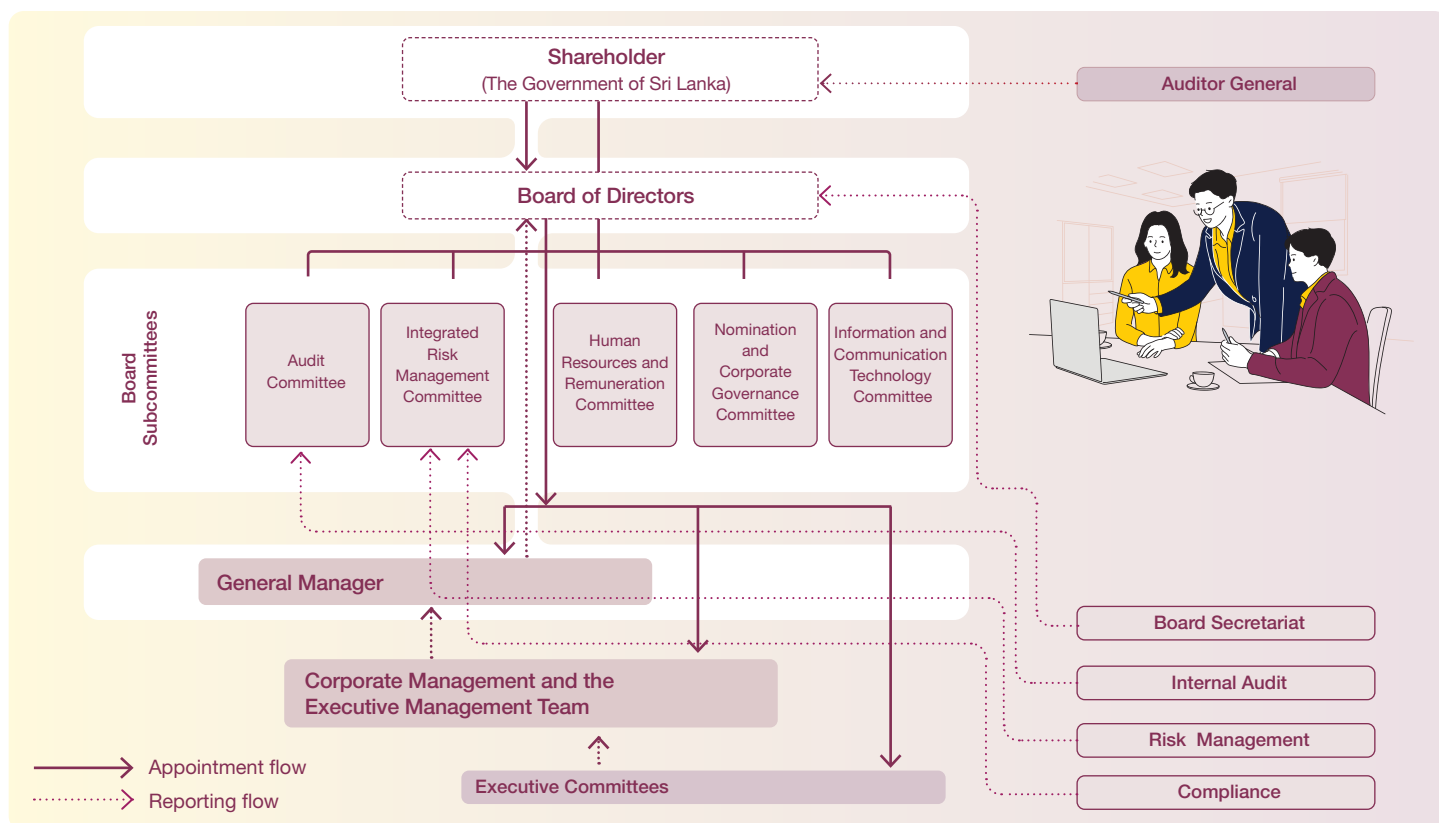
Internal Mechanisms

- Stakeholder engagement
- HR and People management
- Strategic and Corporate Planning
- Risk Management
- IT and Cyber Security Governance

Governance Structure

The Board of Directors is supported by 5 Board Subcommittees which has oversight responsibility on matters delegated to them including financial reporting and internal controls, remuneration, risk management and IT, among others. This allows the Board to devote time on agenda items that are of strategic importance. Each Committee Chairperson

reports to the Board on the activities and decisions taken by their respective Committees during the Board meetings. The recommendation of the Committees are ratified by the Board after deliberation. 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 89 for further details of the Board Subcommittees and Executive Committees). The Governance Structure is graphically illustrated below:



Approach to Governance

The Bank's governance practices and outcomes are discussed in the subsequent sections of this Report. For improved clarity and readability, the Report has been structured on the following four themes:

People

Purpose

Process

Performance

People

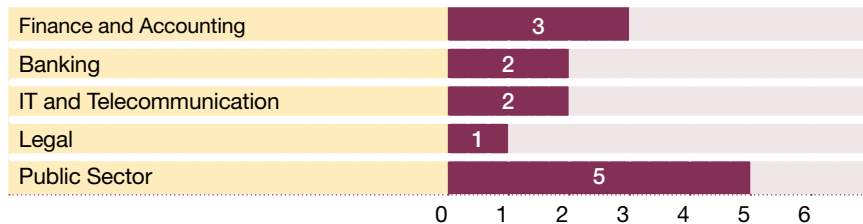
Board Composition

The Board comprises of six directors who are diverse in their skills, experience and demographics. Directors are all engaged in a Non-Executive capacity while five of the six (or 83%) are independent. The Board composition is set out in the Ordinance and relevant amendments and

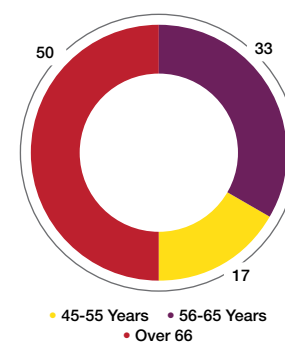
Directors are appointed by the relevant Minister to whom state banks are assigned. A representative of the Ministry in charge of the subject of Finance holds an Ex officio position on the Board.

The Board was reconstituted during the year, with six new appointments in 2020 followed by further two appointments in early 2021; two Directors resigned with effect from December 2020 (Please refer to page 17 for profiles of Directors)

Skill Composition of Board



Age Representation of the Current Board



Following the replacement of Ms V Amarasekere during the year, there is currently no gender diversity on the Board

Roles and Responsibilities

The Board Charter serves as a guide for the performance of the Directors, clearly setting out their duties and responsibilities (as listed below) and providing clear direction for decision making across the Bank.

- Setting strategic direction and providing clear direction for decision making
- Establishing robust governance and risk management practices
- Ensuring regulatory compliance
- Safeguarding the Bank's reputation
- Presenting a balanced and fair assessment of the Bank's financial performance and position

Appropriate balance of power is ensured through clarity in roles and effective segregation of responsibilities. 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.

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
- Ensures 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

Corporate Governance

Appointment to the Board

As a state-owned bank, appointments to the Board are made by the Government of Sri Lanka through 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. An Internal Policy on Appointment of Directors to the Board is in place which is shared with the Appointing authority. 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. The induction includes the following:

- Induction pack which includes an overview of the Bank, details on the governance framework (such as Organisational structure, 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.

Training and Access to information

Directors have access to training and timely information which supports the effective discharge of their responsibilities. The Policy for Directors' Access to Independent Professional Advice also provides an opportunity for external expert input at the Bank's expense. In 2020, the following mechanisms ensured that the Board was kept up to date regarding relevant developments:

- Four Directors attended a training programme titled Non-Executive Director Master Class organised by the Colombo Stock Exchange in collaboration with London Stock Exchange Group Academy and three Directors attended a workshop on Anti- Money Laundering (AML) and Combating Terrorist Financing (CTF) Obligations for Boards of Licensed Banks conducted by the Central Bank of Sri Lanka.
- Management Team attended Board meetings upon invitation to provide relevant input.
- Board papers and relevant information were circulated through a secure e-Solution.

Processes

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

Key Policies Revised

1. Remuneration for Chairman and Board of Directors.
2. Directors' Access to Independent Professional Advice.
3. Related Party Transactions
4. Communication
5. Whistle Blowing
6. Dividends
7. E-waste Management

New Policies Introduced

1. Policy on Corporate Governance
2. E-Procurement Policy

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. Key policies revised during the year are also presented alongside.

New policy on Corporate Governance

A new policy on Corporate Governance comprising of all applicable Governance rules and charters etc., was formulated and is in place.

Secretary to the Board

The Secretary to the Board/ Secretary, Bank of Ceylon 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 Secretary to the Board. The incumbent Secretary to the Board/ Secretary, Bank of Ceylon has been appointed as prescribed by requirements of the Banking Act and relevant amendments. Her profile is given on page 22.

Risk Oversight and Internal Controls

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 control responsibilities, respectively. Key Board functions related to risk management are:

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

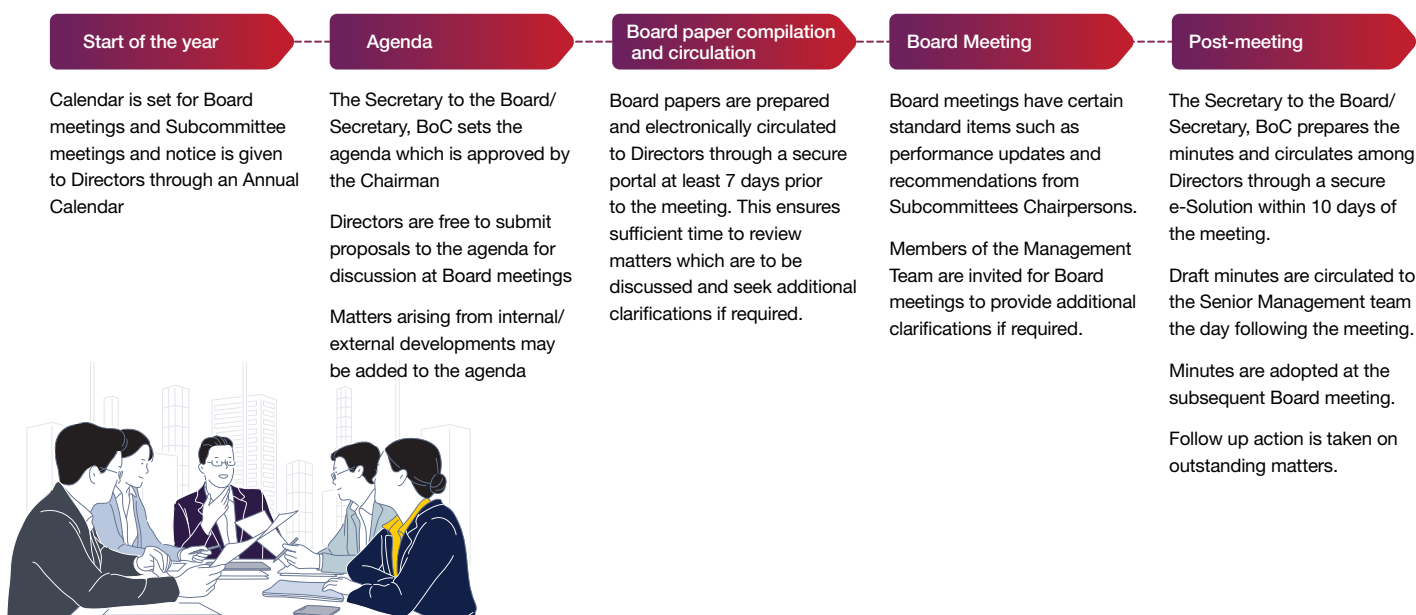
Board Subcommittees

Responsibilities and procedures relating to the Board Subcommittees are set out in the Subcommittee Charters and are summarised below. All Subcommittee Charters were reviewed and revised.

Board Subcommittees				
Audit Committee Reviews the Bank's financial reporting process including internal controls, internal and external audit (Refer page 94 for Committee Report)	Integrated Risk Management Committee Responsibility for risk management including credit, market, operational, liquidity, cyber/ IT and strategic risks, ensuring compliance with the risk management policy framework and compliance with laws and regulations (Refer page 95 for Committee Report)	Human Resource and Remuneration Committee Responsible for Remuneration policy, setting objectives and evaluating Key Management Personnel (KMP) performance and determining the Bank's HR policy (Refer page 97 for Committee Report)	Nomination and Corporate Governance Committee Responsible for Implementing procedures to select/ appoint Senior Management persons and evaluating their sustainability review, code of ethics, improve corporate governance practices (Refer page 98 for Committee Report)	Information and Communication Technology Committee Oversight responsibility for IT products, services, policies, practices and infrastructure (Refer page 99 for Committee Report)
Key Executive Committees				
Assets and Liabilities Management Committee (ALCO)	Branches Division Credit Committee	Business Continuity Coordinating Committee	Business Continuity Implementation Committee	Business Continuity Management Steering Committee (BCMSC)
Committee Dealing with Operational Losses	Corporate Information Security Committee	Corporate Management Committee	Corporate Strategic Review Committee	Credit Committee
Damage Assessment and Restoration Committee (DARC)	HR Policy Committee	Idle Asset 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	Technical and Operational Committee

Board Meetings

The Board meets regularly and the Secretary, to the Board/ Secretary, BoC 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 corporate planning, risk management, compliance and governance matters.



Corporate Governance

Despite the conditions that prevailed in 2020, Board activities were conducted uninterrupted with Board meetings immediately shifted to digital platforms. During the lockdown following the 1st wave of the COVID-19 Pandemic, the Board strengthened engagement, virtually meeting on a weekly basis to monitor

emerging developments (refer to page 92 for further information) while also attending Pre-Board meetings to ensure that any doubts regarding the agenda items were clarified beforehand. Subcommittee meetings were also shifted to digital platforms, thereby ensuring continuous uninterrupted operations.

Board Engagement in 2020

Board meetings: 27

Subcommittee meetings: 29

Attendance at Board and Subcommittee meetings during the year is set out below

	Board	Audit Committee	1 HR and RC	2 IRMC	3 NCGC	4 ICTC	Special IRMC and NCG
Mr Kanchana Ratwatte							
Chairman, Independent Non-Executive Director	27/27	-	1/1*	-	-	-	-
Ms Visakha Amarasekera							
Non-Executive Director Ex officio Director (upto 27.04.2020)	8/8	1/2	-	1/2	1/1	-	-
Mr R M Priyantha Rathnayake							
Non-Executive Ex officio Director (from 28.04.2020)	19/19	3/4	3/3	5/5	5/6	-	1/1
Mr Lalith P Withana							
Independent Non-Executive Director	23/25	7/7	-	6/6	-	5/6	1/1
Mr G Harsha Wijayawardhana							
Independent Non-Executive Director	27/27	7/7	-	6/6	5/6	6/6	1/1
Mr Hasitha Premaratne							
Independent Non-Executive Director	25/25	7/7	2/2**	6/6	6/6	6/6	1/1
Mr A C Manilka Fernando							
Independent Non-Executive Director	21/21	5/7	3/3	-	5/5	-	1/1

* Ceased to be a member w.e.f. 24.04.2020.

** Had resigned when the last meeting was held.

1. Human Resources and Remuneration Committee
2. Integrated Risk Management Committee
3. Nomination and Corporate Governance Committee
4. Information and Communication Technology Committee

Purpose

The Board is responsible for overseeing the delivery of the Bank's vision and mission, ensuring that the Bank's strategy, values and culture are aligned to its long-term purpose. All Directors must operate with the highest standards of integrity, lead by example and propagate the desired culture.

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.

Corporate Value Statement

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 six 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

Relevance in 2020

The importance of BoC's role as the Bankers to the Nation, was amplified in 2020 with the Bank being called upon to lead the economic revival through supporting businesses through the crisis, ensuring continuity of cash circulation and facilitating essential banking services across the Island.

The Board's contribution driving this agenda included (but was not limited) to the following:

- Proactive monitoring of moratoria, debt relief and disbursements of concessionary loans to affected businesses
- Assessment and monitoring of culture
- Oversee the delivery of the Bank's sustainability agenda including progress on social and environmental initiatives
- Ensuring the creation of multi-stakeholder value

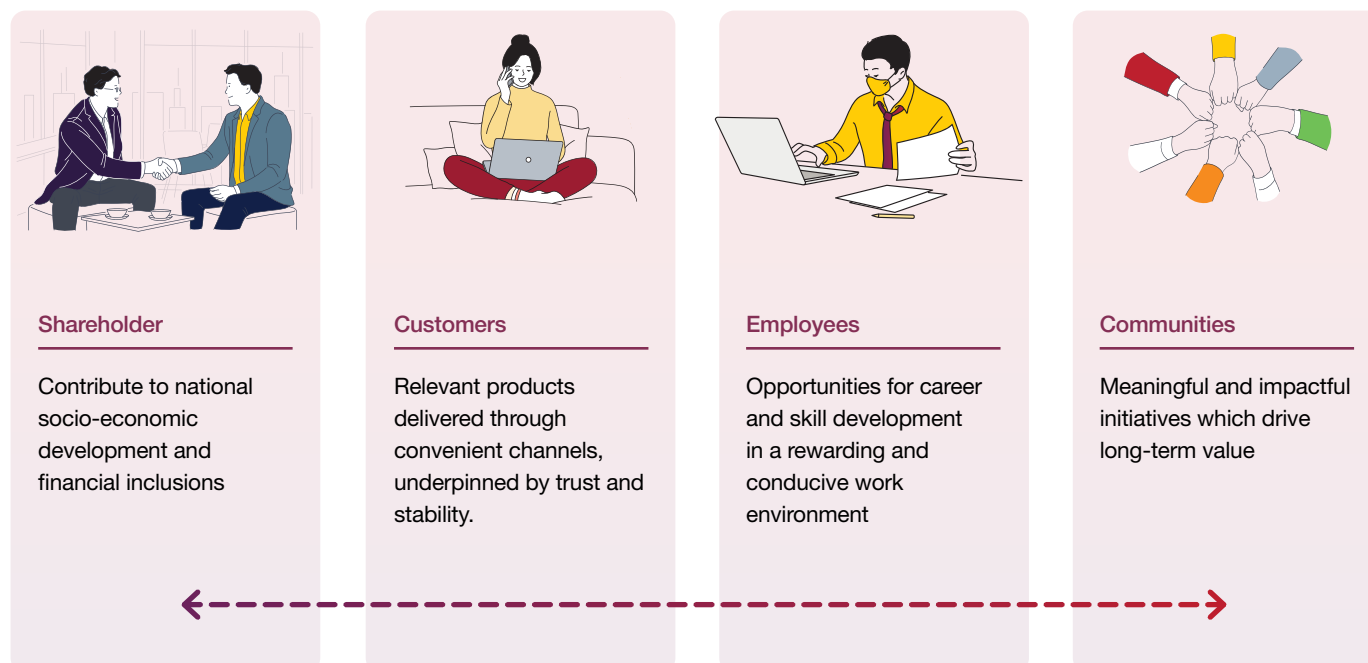
Value-based culture

The Board sets the right tone at the top, setting the foundation for nurturing an organisation-wide values-based culture which underscores integrity and transparency. 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 Ethics	Directors' Code of Ethics: The Board is bound by the Code of Business Conduct and Ethics and are required to submit an annual confirmation on their compliance with the provisions of the Code. The Code aims to propagate a strong culture of integrity, transparency and anti-corruption while encouraging Directors to act in the best interests of the Bank. Employee Code of Ethics: Applicable to all employees, this clearly sets out the Bank's expectations in dealing with internal and external stakeholders, behaviour, bribery and corruption.
Whistle Blowing Policy	A Board-approved Whistle Blowing Policy encourages employees or non-employees to report complaints pertaining to suspected theft/fraud, corruption, misuse of Bank's assets or any other actions that are considered unethical or illegal. Complaints are directed and overseen by the Chief Internal Auditor while complaints made against employees of the DGM grade or above are submitted to the Chairman of the Audit Committee.
Anti-corruption	The Bank takes a zero-tolerance approach to Bribery and Corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever the Bank operates and implementing and enforcing effective systems to counter bribery. The Bank's policy with regards to Anti-Corruption and Bribery is clearly communicated to all employees during the induction programmes and reinforced through regular training and awareness sessions.

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 was reviewed by the Nomination and Corporate Governance Committee during the year under review. 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 82 of this Report.



Corporate Governance

Sustainability

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 Sustainability Policy lies with a Sustainability Committee, which is chaired by the General Manager. Although not formally adopted, the Bank takes the precautionary approach into account when evaluating major investments; accordingly, social and environmental factors are given due consideration when conducting investment appraisals.

(Refer page 64 for further information)

Key aspects of our Sustainability Policy

- Integrate sustainability into key business decisions and initiatives
- Uplifting society's most needed segments
- Financial inclusion
- Ethical finance

Performance

Board contribution to value creation in 2020

Given the unprecedented operating conditions that prevailed during the year, Board focus was directed primarily towards identifying and responding to the vulnerabilities presented by the COVID-19 pandemic. The following page gives an overview of the Board's key focus areas during the year and highlights the link between these deliberations and strategic priorities.

COVID-19 Response



Activation of Disaster Recovery Plan and Business Continuity Plan and establishment of several Corporate Level Business Continuity Management Committees

Bank wide guidance and monitoring of measures introduced to ensure safety of employees

Proactively exploring ways to support affected businesses through debt relief mechanisms and concessionary loan schemes

Assessing the implications of Government and regulatory developments

Analysis of economic scenarios and potential implications on the Bank

Extensive discussions on the pandemic's implications on credit, market and operational risk factors

Setting Strategy

Ensured alignment of strategy with emerging developments by focusing on 5 key strategic priorities (refer to page 44)

Revision of targets and objectives of the Corporate Plan in view of the operating landscape and emerging risks

Monitoring Performance



Proactive monitoring of performance through monthly financial statements, reports on performance and stability, performance against strategic objectives

Evaluation of 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

Risk Management

Review and revision of key policies including Business Continuity Management, Integrated Risk Management, Liquidity Risk Management etc.,

Evaluate potential impact of the pandemic on cashflows, financial performance and position



Proactive monitoring of credit risk profile giving risk of escalating impairments and default

Evaluate the Bank's funding and liquidity position

Discussion of the Bank's operational response to the pandemic including the management of people and IT related risks

Digital Resilience



Evaluate increased Cyber Security vulnerabilities given increased digital adoption during the year

Updated Information Security related policies, guidelines, standards and procedures.

Guidance on rolling out digital offerings to customers

Evaluate feasibility of significant digital investments



Customer Centricity



Digital Excellence



Building a High Performing Team



Rewarding Credit Culture and Healthy Credit Portfolio



Stability, Governance and Sustainable Growth

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 through the Nomination and Corporate Governance Committee. Subcommittees also carry out a

similar evaluation. The key findings of the self-assessments conducted in 2020 are presented below:

- Directors understand their legal duties and responsibilities and follow written policies on Board ethics and conflict of interest.
- Board is fully engaged in its role in the policy making process.
- There is active participation of members at Board Subcommittees.
- Meetings are conducted in an effective manner.
- Board is knowledgeable about the future direction of the Bank.

Director and Executive Remuneration

The Bank's Remuneration Philosophy reflects its commitment in offering a reward package that is performance-driven, competitive and equitable. It is designed to promote sustainable performance on a long-term basis.

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. No Director is involved in determining his/her remuneration.

Remuneration for GM and KMP is based on the Board-approved Remuneration Policy for Key Management Personnel. Compensation practices emphasise achievement of agreed deliverables with the aim of nurturing a performance-driven culture. 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.

Appraisal of the KMP: The Board evaluates the performance of the General Manager and KMP annually, based on the financial and non-financial targets outlined in the Corporate Budget and the Corporate Plan. The HR and RC (Subcommittee) supports the Board in this endeavour. The criteria are agreed with the GM/ KMP at the beginning of the year, ensuring clarity in the Board's expectations. The appraisal takes into consideration dynamics in the operating landscape as well as feedback received from the appraisee.

Remuneration Structure

BoC's reward structures are designed to offer a fair and competitive remuneration. Due consideration is given to achieving the optimal mix between fixed and variable pay depending on the role and responsibilities. Key elements of the Bank's remuneration composition are given below;

Fixed Remuneration	Variable Remuneration	Other non-cash benefits
Base salary and other fixed components- determined on role and employee grade Bonus	Incentive	Post-employment benefits Loans under special schemes Credit cards

Please refer to page 167 for details on Director Remuneration, page 282 for KMP Remuneration and page 97 for the Report of the Board HR and RC.

Board Subcommittee Reports

Audit Committee Report

Committee Composition during 2020

Pursuant to the reconstitution of the Board in January 2020, the following Directors were appointed to the Audit Committee w.e.f. 21 January 2020:

- (1) **Mr Lalith P Withana**
Chairman/ Independent Non-Executive Director
- (2) **Ms Visakha Amarasekera**
Member/ Non-Executive Ex officio Director
- (3) **Mr G Harsha Wijayawardhana**
Member/ Independent Non-Executive Director
- (4) **Mr Hasitha Premaratne**
Member/ Independent Non-Executive Director

With the appointment of Mr Manilka Fernando to the Board on 21.04.2020 he was appointed to this committee on 24.04.2020.

The Audit Committee was reconstituted w.e.f. 12 May 2020 and the members were as follows:

- (1) **Mr Lalith P Withana¹**
Chairman/ Independent Non-Executive Director
- (2) **Mr R M Priyantha Rathnayake²**
Member/ Non-Executive Ex officio Director
- (3) **Mr G Harsha Wijayawardhana**
Member/ Independent Non-Executive Director
- (4) **Mr Hasitha Premaratne¹**
Member/ Independent Non-Executive Director
- (5) **Mr A C Manilka Fernando³**
Member/ Independent Non-Executive Director

The Audit Committee was reconstituted as follows w.e.f. 21 January 2021 with the changes that took place on the Board:

- (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 Chandrasiri⁴**
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
- Compliance Officer
- 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
- IT Risk Officer
- Representative of the Auditor General (the External Auditor of the Bank)

Attend upon invitation

- 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 2020: 07

(Attendance given on page 90 of this Report)

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

Role of Committee

Audit Committee Charter

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

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

Principal Focus

The Audit Committee primarily focuses on assisting the Board in fulfilling its duties by providing an independent and objective review of the Bank's financial reporting process.

Medium of Reporting

The proceedings of the Audit Committee meetings are tabled and ratified at the Board meetings, where all key issues, concerns, actions taken, outcomes achieved or pending and follow-up initiated, are clarified, discussed and Board approval obtained thereof.

Areas of focus and activities in 2020

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 actions taken in relation to the findings of the statutory examinations carried out by regulators.

Internal Controls

- Reviewed the adequacy and effectiveness of the internal control mechanism of the Bank in line with Section 3(8) (ii)(b) of the Banking Act Direction No.11 of 2007 through the Internal Control Matrix updated for 2020.
- 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.
- Reviewed significant internal audit findings and Management's responses thereto, with a view to taking timely corrective action. In this regard introduced an Action Tracker system to track action of all the pending Internal Audit, External Audit, Regulatory and Audit Committee items related to each Deputy General Manager. The

Committee closely monitors the progress made on rectification of those items.

- Monitored the progress of the initiatives taken by the Internal Audit Department to improve Internal Control Monitoring Process. i.e. Cluster Internal Control Officer System, Internal Audit Rating Leader Board System, Desktop Message Publishing System and Island-wide Internal Control Awareness Programmes. Suggested to the Management to introduce a rewarding system for the improvements made in the Audit Ratings.
- 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.
- The Committee evaluated the performance of the Chief Internal Auditor.

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.
- "Closed door meetings" were held with the representative of the Auditor General in the absence of the Management.

The Committee wishes to record an appreciation for Mr Lalith P Withana, former Chairman of the Committee and Mr Hasitha Premaratna, former Member of this Committee for the valuable contribution made by them to this Committee.

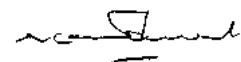
Way Forward

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 2021 and beyond.

Conclusion

The Audit Committee is committed to achieve the objectives set out in the Audit Committee Charter by following and implementing not only conventional but also innovative methods.

On behalf of the Audit Committee.



A C Manilka Fernando
Chairman,
Audit Committee

18 March 2021

*Note:

- 1 Mr Lalith P Withana and Mr Hasitha Premaratne resigned from the Board w.e.f. 08 December 2020.
- 2 Mr R M Priyantha Rathnayake, Ex officio Director on the Board was appointed to this Committee as a member on 12 May 2020 in place of Ms Visakha Amarasekera, who ceased to be the Ex officio Director.
- 3 Mr A C Manilka Fernando, was appointed as the Chairman of the Committee w.e.f. 17 December 2020.
- 4 Major General (Rtd.) G A Chandrasiri was appointed to this Audit Committee w.e.f. 21 January 2021, with his appointment to the Board.

Board Subcommittee Reports

Integrated Risk Management Committee Report

Committee Composition during 2020

Pursuant to the reconstitution of the Board in January 2020, the following Directors were appointed to the Integrated Risk Management Committee w.e.f. 21 January 2020:

- (1) **Mr Hasitha Premaratne**
Chairman/ Independent Non-Executive Director
- (2) **Ms Visakha Amarasekera¹**
Member/ Non-Executive Ex officio Director
- (3) **Mr G Harsha Wijayawardhana**
Member/ Independent Non-Executive Director
- (4) **Mr Lalith P Withana**
Member/ Independent Non-Executive Director
- (5) **Mr R M Priyantha Rathnayake¹**
Member/ Non-Executive Ex officio Director

From 17 December 2020

- (1) **Mr R M Priyantha Rathnayake²**
Chairman/ Non-Executive Ex officio Director
- (2) **Mr G Harsha Wijayawardhana**
Member/ Independent Non-Executive Director

From 21 January 2021

- (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 Chandrasiri³**
Member/ Independent Non-Executive Director

From 04 March 2021

- (1) **Mr R M Priyantha Rathnayake**
Chairman/ Non-Executive Ex officio Director
- (2) **Mr G Harsha Wijayawardhana**
Member/ Independent Non-Executive Director
- (3) **Mr Jayampathy Molligoda**
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 Risk Officer
- Compliance Officer

Attend upon invitation

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

Meetings held in 2020: 06

Joint meeting with Nomination and Corporate Governance Committee Meeting: 1
(Attendance given on page 90 of this Report)

Quorum: Two members

Role of Committee

Integrated Risk Management Committee Charter

The Terms of Reference 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 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, 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 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 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 2020

- Reviewed the risks to the Bank associated with the COVID-19 pandemic.
- Evaluated the adherence to safety protocols

introduced by the Bank to averse the risk of COVID-19 pandemic.

- Reviewed and recommended the following policies/ manuals based on which the risk profile of the Bank is assessed:
 - Group Risk Management Policy
 - 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
 - Limit Management Framework for year 2020
 - Middle Office Operations Manual
 - Credit Portfolio Risk Management Policy
 - Integrated Risk Management Committee Charter
 - Liquidity Risk Management Policy
 - Loan Review Mechanism Policy
- Recommended the adoption of the following policies in respect of the Bank's overseas operations:
 - Chennai Branch**
 - Stress Testing Policy
 - Business Continuity Plan
 - Compliance Policy for 2020-2021
 - Revised Internal Capital Adequacy Assessment Process for 2019-2020
 - Fraud Risk Management Policy
 - Cyber Security Policy for 2020-2021
 - Reviewed Policy on Prevention of Money Laundering and Combating Terrorist Financing for 2020-2021
 - Reviewed Grievance Redressal Policy for 2019 – 2020
 - Reviewed Customer Rights Policy for 2019 – 2020
 - Reviewed Risk Management Framework for Overseas Branches in view of the COVID-19 Global pandemic
 - Reviewed Fraud Closure Policy

Board Subcommittee Reports

Integrated Risk Management Committee Report

Seychelles Branch

- Revised Information Security Policy (Version 2)
- Cyber Security Policy
- Reputation Risk Management Policy
- Reviewed Compliance Policy
- Reviewed Customer Acceptance/ On-Boarding Policy
- Reviewed Transaction Monitoring Policy
- Reviewed Policy on Anti- Money Laundering (AML) and Combating Terrorist Financing (CFT)
- Reviewed Risk Management Framework for Overseas Branches in view of the COVID-19 Global pandemic
- Reviewed Information Technology Risk Management Policy
- Reviewed Risk Assessment Policy
- Reviewed Business Continuity Plan

Maldives Operations

- Cyber Security Policy
- Terms of Reference for the Asset and Liability Management Committee
- Reviewed Policy on Record Retention
- Reviewed Compliance Policy
- Business Continuity Plan
- Reviewed Policy on Related Party Disclosures
- Reviewed Risk Management Framework for Overseas Branches in view of the COVID-19 Global pandemic
- Reviewed Capital and Liquidity Management Policy
- Reviewed Policy for Handling of Cheque Books
- Reviewed Policy for ATM Cards Management

- Recommended the criteria for rating based lending of the Bank.
- 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 Dash Board 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.
- Special emphasis was placed on IT Risk and associated Cyber Security Risk and initiated and followed-up on various measures to safeguard the Bank from Cyber-attacks.
- Monitored the Risk Aggregation report of the Bank on a quarterly basis.
- Risk Appetite and Limit Setting for 2020 was established.
- Recommended the adoption of the Internal Capital Adequacy Assessment Process (ICAAP) for the year 2020.
- Reviewed the comprehensive Compliance Reports submitted by the Compliance Officer.
- Reviewed stress testing results on a quarterly basis.
- Reviewed various Stress Test scenarios of Chennai Branch for the period ended 30.06.2020 as per the guidelines of the Reserve Bank of India.
- Adoption of the Risk Management Framework and its Governance structure.
- Adoption of the Risk Assessment Formats for Overseas Branches and Head Office Departments.
- Reviewed the decisions of the Committee dealing with Forged Cheques and Frauds on a quarterly basis.
- Assessed the impact to the Bank due to the inadequate Capital Adequacy Ratio of its subsidiary, Merchant Bank of Sri Lanka & Finance PLC.
- Succession arrangements for the Chief Risk Officer and Compliance Officer.
- Carried out the evaluations of the Chief Risk Officer and Compliance Officer.
- Revised the Risk Management Framework of Treasury Operations for year 2020 in view of "COVID-19 Global pandemic" situation.

The Committee wishes to record an appreciation for Mr Hasitha Premaratne and Mr Lalith P Withana, who functioned as Chairman and Member of the Integrated Risk Management Committee respectively in the year 2020, who have since resigned, for the valuable contribution made by them to this committee.

Way Forward

In the year 2021, the Integrated Risk Management Committee will assist the Board in fulfilling its oversight responsibilities for all aspects of risk management. The Committee will focus on and review risks such as credit, market, liquidity, operational and strategic risks through appropriate risk indicators and management information.

Further the Committee will establish risk limits and policies that establish appetite for credit, market, liquidity, operational and other risks, as recommended by the Chief Risk Officer.

Conclusion

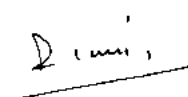
Acting collectively, the members of the Integrated Risk Management Committee in 2020 has evaluated its performance for effectiveness and efficiency.

The Committee continually reviews the various risks encountered by the Bank especially in the global pandemic scenario and strives to promote a robust risk governance framework, a well-developed and explicit risk management policy covering determination of risk appetite, application of up-to-date methodologies for measuring financial risks, developing in-house expertise and ensuring that risk reporting accurately communicates risk exposures and results of stress tests or scenario analyses, data analytics and peer bank analysis.

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

18 March 2021

*Note:

- 1 Mr R M Priyantha Rathnayake, the new Ex officio Director on the Board was appointed to this Committee as a member on 12 May 2020 in place of Ms Visakha Amarasekera, who ceased to be the Ex officio Director on the Board.
- 2 Mr R M Priyantha Rathnayake was appointed as the Chairman of the Committee w.e.f 17 December 2020 in place of Mr Hasitha Premaratne who resigned on 08 December 2020.
- 3 Major General (Rtd) G A Chandrasiri was appointed to the Committee w.e.f 21 January 2021 with his appointment to the Board.

Board Subcommittee Reports

Human Resources and Remuneration Committee Report

Committee Composition during 2020

Pursuant to the reconstitution of the Board in January 2020, the following Directors were appointed to the Human Resources and Remuneration Committee w.e.f. 21 January 2020:

- (1) **Mr Kanchana Ratwatte**
Chairman/ Independent Non-Executive Director
- (2) **Ms Visakha Amarasekera¹**
Member/ Non-Executive Ex officio Director
- (3) **Mr Hasitha Premaratne**
Member/ Independent Non-Executive Director

From 24 April 2020 to 08 December 2020

- (1) **Mr Kanchana Ratwatte**
Chairman/ Independent Non-Executive Director
- (2) **Mr R M Priyantha Rathnayake¹**
Member/ Non-Executive Ex officio Director
- (3) **Mr A C Manilka Fernando²**
Member/ Independent Non-Executive Director
- (4) **Mr Hasitha Premaratne³**
Member/ Independent Non-Executive Director

From January 2021

- (1) **Mr A C Manilka Fernando⁴**
Chairman/ Independent Non-Executive Director
- (2) **Mr R M Priyantha Rathnayake⁴**
Member/ Non-Executive Ex officio Director
- (3) **Major General (Rtd) G A Chandrasiri⁵**
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
- Senior Deputy General Manager (Human Resources)
- Any other member of Corporate or Executive Management

Meetings held in 2020: 03

(Attendance given on page 90 of this Report)

Quorum: Two members

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

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

Principle 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 2020

- 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 2019 based on the targets set at the commencement of the year in line with the Corporate Plan.
- The Committee reviewed the mid-year performance appraisals of the members of the Corporate Management carried out by the General Manager against the goals/targets agreed upon at the beginning of the year 2020.
- Reviewed the goal and target setting process in respect of the KMP.
- Reviewed and revised the Remuneration Policy for the Chairman and Directors during the year under review. (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 Remuneration Policy is 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.)
- Followed up on the action plan to develop the employees with required skills, knowledge and attitudes.
- Initiated a discussion on the organisation structure of the Bank to be followed up going forward.
- Recommended adoption of the following policies -

- Transfer Policy for the employees below the grade of Manager.
- Revised Human Resource Policy of the Bank.
- Job Rotation Policy on job role.
- Revised Exit Interview Policy of the Bank.
- Training and Development Policy

- Recommended adoption of the Scheme of Recruitment covering external recruitments.

- (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. The next salary revision is due in year 2021 covering the three-year period 2021 to 2023).

Way Forward

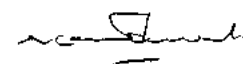
The Committee will continue to encourage the use of best practices in Human Resource in the Bank.

Conclusion

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

The Committee wishes to place on record an appreciation for Mr Hasitha Premaratne the past Member of this Committee during the year under review for the valuable contribution made by him towards the objectives of this Committee.

On behalf of the Human Resources and Remuneration Committee



A C Manilka Fernando
Chairman,
Human Resources and Remuneration
Committee

18 March 2021

*Note:

- 1 Mr R M Priyantha Rathnayake, Ex officio Director on the Board was appointed to this Committee as a member on 12 May 2020 in place of Ms Visakha Amarasekera, who ceased to be the Ex officio Director on the Board.
- 2 Mr A C Manilka Fernando was appointed to this Committee as a member w.e.f. 24 April 2020.
- 3 Mr Hasitha Premaratne resigned from the Board of Bank of Ceylon w.e.f. 08 December 2020.
- 4 Mr A C Manilka Fernando was appointed as the Chairman of the Committee w.e.f. 28 July 2020 in place of Mr Kanchana Ratwatte.
- 5 Major General (Rtd.) G A Chandrasiri was appointed to the Committee w.e.f. 21 January 2021, with his appointment to the Board.

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

Board Subcommittee Reports

Nomination and Corporate Governance Committee Report

Committee Composition during 2020

Pursuant to the reconstitution of the Board in January 2020, the following Directors were appointed to the Nomination and Corporate Governance Committee w.e.f. 21 January 2020:

- (1) **Mr Hasitha Premaratne**
Chairman/ Independent Non-Executive Director
- (2) **Ms Visakha Amarasekera**¹
Member/ Non-Executive Ex officio Director
- (3) **Mr G Harsha Wijayawardhana**
Member/ Independent Non-Executive Director

From 12 May 2020

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

From 17 December 2020

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

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 2020: 06

Joint meeting with Integrated Risk Management Committee: 1
(Attendance given on page 90 of this Report)

Quorum: Two members

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 law 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 2020

- As provided in the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments the Bank being fully Government 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.
- Reviewed and/or recommended the following policies/ charters-
 - The Charter of the Nomination and Corporate Governance Committee.
 - The Communication Policy of the Bank.
 - The Policy on Directors' Access to Independent Professional Advice.
- Ensured that the KMP are fit and proper persons to hold their offices when officers were promoted or appointed as KMP.
- Recommended better adoption of the "Nine Box Talent Matrix" used by the Bank, to formulate a robust Succession Plan together with Artificial Intelligence (AI) tools to be deployed.
- Reviewed the Succession Plan for Corporate Management and Executive Management (KMP) and the Bank's strategies towards succession planning for KMP.
- Assessed the training needs with a view to leadership development of KMP.

- Rationalised the position descriptions of KMP.
- Recommended new expertise needed for the Bank.
- Reviewed the Eligibility Criteria of KMP.
- Reviewed the Assessment Format of the Board of Directors of the Bank to be used for their Annual Evaluation.

The Committee wishes to record an appreciation for Mr Hasitha Premaratne, who functioned as the Chairman of the Nomination and Corporate Governance Committee in year 2020, who has since resigned, for the valuable contribution made by him to this Committee.

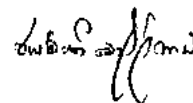
Way Forward

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

18 March 2021

*Note:

- 1 Mr R M Priyantha Rathnayake the new Ex officio Director on the Board was appointed to this Committee as a member on 12 May 2020 in place of Ms Visakha Amarasekera, who ceased to be the Ex officio Director on the Board.
- 2 Mr A C Manilka Fernando was appointed to this Committee as a member w.e.f. 12 May 2020.
- 3 Mr A C Manilka Fernando was appointed as the Chairman of the Committee w.e.f. 17 December 2020 in place of Mr Hasitha Premaratne.
- 4 Mr Jayampathy Molligoda was appointed as the Chairman of the Committee w.e.f. 04 March 2021 with his appointment to the Board in place of Mr A C Manilka Fernando.

Role of Committee

Nomination and Corporate Governance
Committee Charter

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

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

Board Subcommittee Reports

Information and Communication Technology Committee Report

Committee Composition during 2020

Pursuant to the reconstitution of the Board in January 2020, the following Directors were appointed to the Information and Communication Technology Committee w.e.f. 21 January 2020:

- (1) **Mr G Harsha Wijayawardhana**
Chairman/ Independent Non-Executive Director
- (2) **Mr Lalith P Withana**¹
Member/ Independent Non-Executive Director
- (3) **Mr Hasitha Premaratne**¹
Member/ Independent Non-Executive Director

From 17 December 2020:

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

From 04 March 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 Molligoda**³
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
- 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 & 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 2020: 06

(Attendance given on page 90)

Quorum: Two members

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 2020

- Reviewed the Committee Charter.
- Assisted in the recruitment of an industry expert to the newly created position of Chief Information Officer with the retirement of the Head of Information Technology from the Bank's service.
- Monitored the ongoing IT developments in the Bank and guided on the proposed developments.
- Initiated a survey on the Bank's website, Internet and Mobile Banking applications with a view to improving them.
- Initiated the creation of an Innovation Lab.
- Discussed the IT Procurement Plan for 2020 and guided on its smooth implementation.
- Reviewed the revamping process of the Corporate Website.
- Recommended the following
 - Procuring a Network Security Policy Management and Vulnerability Management Solution for the Bank.
 - Procuring a Network Packet Broker with decryption.
 - Version upgrade of Document Management and Workflow Automation System Software.
 - Initiatives to fast track digital customer experience.
 - Stage-wise UAT sign-off for the Financial Reporting System.
 - Policy for Archival of Data/Information Records of Bank of Ceylon.
 - Policy on Renewal of Agreements pertaining to IT Procurement.
 - Information Security Road Map.
 - Procuring new Network devices for Chennai Branch.

Committee during the year 2020 who have since resigned, for the valuable contribution made by them 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 post COVID-19.

Conclusion

The members of the Information and Communication Technology Committee have evaluated the Committee's performance during the year 2020 for effectiveness and efficiency.

On behalf of the Information and Communication Technology Committee



G Harsha Wijayawardhana
Chairman,
Information and Communication
Technology Committee

18 March 2021

*Note:

1. Mr Lalith P Withana and Mr Hasitha Premaratne, resigned from the Board w.e.f. 08 December 2020.
2. Mr A C Manilka Fernando, was appointed to this Committee as a member w.e.f. 17 December 2020.
3. Mr Jayampathy Molligoda, was appointed to the Committee w.e.f. 04 March 2021, with his appointment to the Board.

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 respect to the existence, operation and effectiveness of the IT products and services, policies, practices and IT infrastructure employed by the Bank

The Committee wishes to record an appreciation for Mr Lalith P Withana and Mr Hasitha Premaratna, who were Members of this

Risk Management

Risk Landscape in 2020

The COVID-19 pandemic has led to dramatic shifts in organisations' risk landscape, impacting demand and supply dynamics, disrupting financial markets and resulting in heightened volatility in exchange rates, bond yields and commodity prices. This has compelled organisations, particularly risk management practitioners to clearly understand the implications of the pandemic and its resultant socio-economic impacts to ensure resilience.

Following the outbreak of the pandemic in Sri Lanka in March 2020, the Government and CBSL took immediate and proactive measures to manage the economic fallout. The response included an array of measures aimed at providing relief to affected businesses/sectors, strengthening the stability and resilience of the banking sector and driving cash circulation and credit demand through an accommodative monetary policy. A summary of these measures along with other related developments in the Bank's risk landscape is given below:



Economic growth: Understandably, economic activity was heavily impacted by restrictions on mobility, impacts on disposable income, sharp downturn in the tourism value chain and weaker sentiments. Resultantly, the country's GDP contracted by 3.6% during the year (refer to page 38 for further information)



Political environment: The country's political landscape has stabilised following the conclusive victory in both the Presidential and General Elections held in 2019 and 2020.



Technology: The thrust towards digital banking and omni-channel delivery seen in 2020 is likely to continue, as customers demand increasingly convenient, safe and secure platforms for conducting banking services. On the flip side, this has increased vulnerabilities to IT, Cyber Security and other operational threats while widening social disparities arising from the digital divide.



Competition: The threat of new entrants have escalated, specially, digital banks, mobile service providers and fintechs which have exerted pressure on the competitive positions of traditional banks and their pricing models. From a risk management perspective, this has emphasised the importance of effective strategy formulation, diversification of income sources and accelerating the digital journey in transforming customer experiences.



Climate: Implications of weather changes and climate conditions have become increasingly frequent, severe and widespread and the World Economic Forum continues to classify environmental risks such as extreme weather, natural disasters and failure of climate change mitigation as top global risks (Source: Global Risk Report 2020). From BoC's perspective this could have direct impacts on the agriculture lending portfolio and over the long-term could have implications on the tourism sector given degradation of biodiversity and reduced attractiveness of destinations.

Regulator's Response to COVID-19

Relief to affected businesses

- Debt moratoriums to affected businesses following the 1st and 2nd wave of the pandemic, resulting in a total relief period of 1 year. The tourism sector is enjoying an extended moratorium
- Launch of "Saubagya" COVID-19 Renaissance Loan Scheme Facility, at a concessionary interest rate of 4% per annum
- Suspension of all recovery actions including repossession and litigation
- Interest rate ceilings on credit cards, pawning and housing loans among others

Supporting Bank's liquidity and stability

- Allow D-SIBs and non-D-SIBs to draw down on the capital conservation buffers by 100 bps and 50 bps respectively
- Allow banks to recover loans in Rupees, as the last resort, in circumstances where recovery of loans in foreign currency is remote
- Reductions in the Policy rate and SRR to inject liquidity to the system
- Relaxations in liquidity ratios
- Withdraw the requirement to classify all credit facilities extended to a borrower as non-performing when the aggregate amount of all outstanding non-performing loans granted to such borrower exceed 30% of total credit facilities.
- Permit banks to give an extension as deemed necessary, to borrowers who are not entitled to any other concessions
- Defer the requirement to enhance capital
- Revisit timelines for addressing supervisory concerns



Risk Implications of COVID-19

Credit Risk

Increased likelihood of default rates given disruptions in supply chains and downturn in demand and consumption which will adversely impact cash flows and earnings prospects.

Market Risk

Increased volatility in exchange rates and share prices could impact the Bank's market risk profile. The sustained reduction in interest rates has also impacted profitability through rate sensitive assets and liabilities.

Operational Risk

Employee health and safety has emerged as a key risk while unprecedented disruptions to work have led to increased overhead costs, escalating risk of fraud and increased exposure to Cyber Security and IT risks.

Liquidity Risk

Reduced inflows arising from debt moratoriums and interest rate concessions together with deposit withdrawals could lead to liquidity pressure.

Our Priorities

Short-Term

Activated the BCP and Disaster Recovery plan to ensure operational continuity.

Safeguard health and safety of employees and customers

Proactively assess the impacts of COVID-19 on customers and collaterals.

Medium-Term

Continued monitoring of credit portfolio.

Formulate plans to support customers through extended debt reliefs and access to concessionary loan schemes.

Strengthen Cyber Security frameworks.

Introduced special offers to increase foreign currency inflows.

Long-Term

Incorporate learnings from COVID-19 in adapting to new and more efficient ways of working.

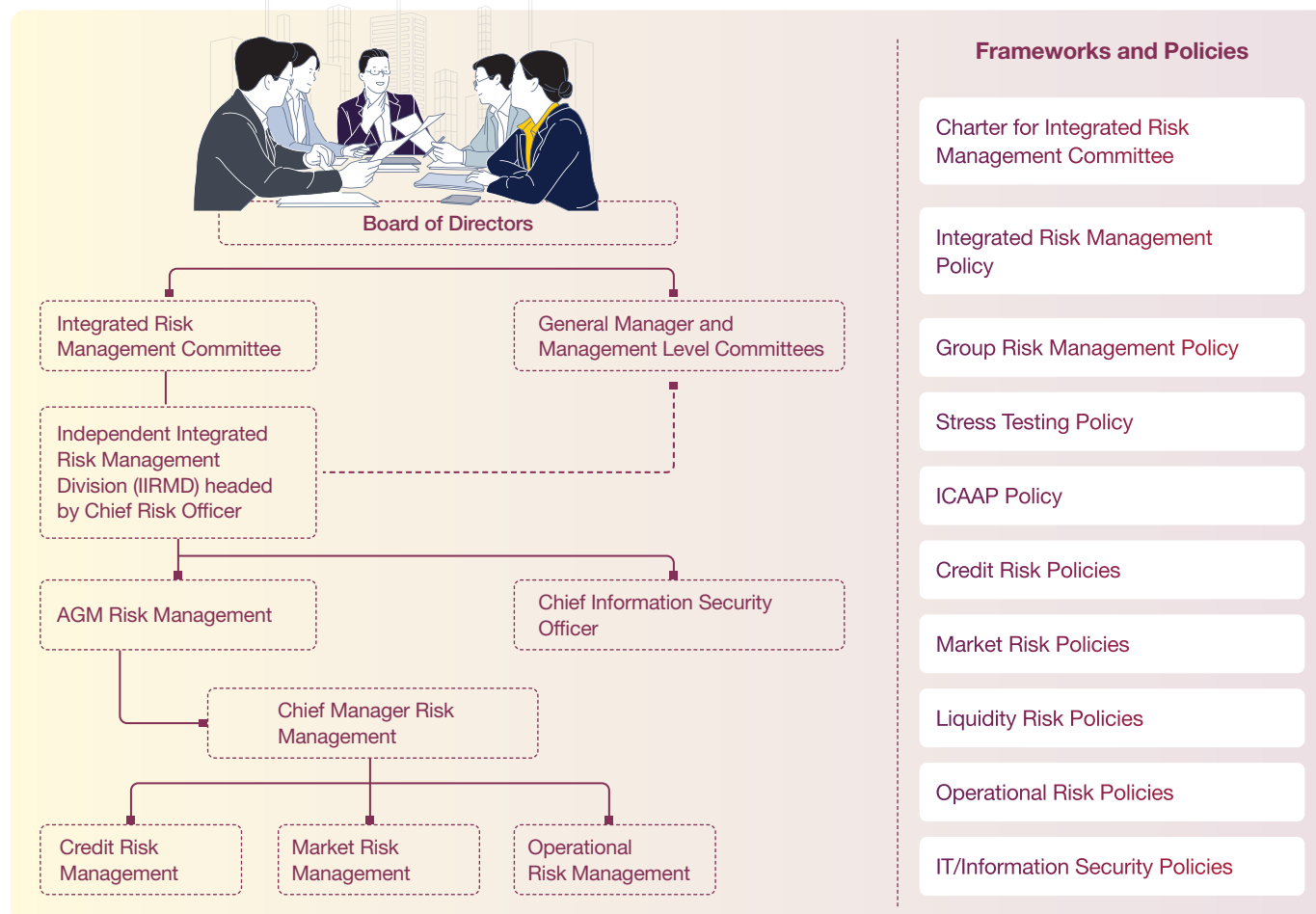
Build lean and agile operating models.

Adjust to the low-interest rate environment by diversifying income sources

Strengthen brand to capture emerging opportunities.

Our approach to Risk Management

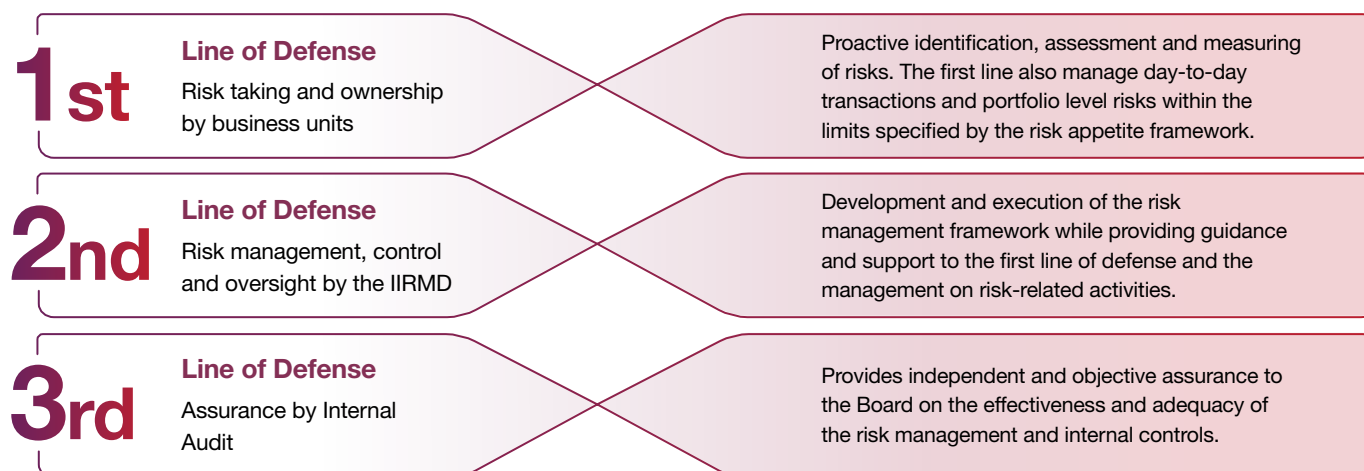
BoC's holistic enterprise-wide Risk Management Framework ensures the effective and consistent identification and management of risks across functions, operations and processes and is a vital element in the execution of its strategy.



Risk Management

Approach to Risk Management

Three Lines of Defense Model



Risk Governance

Governance committees at both Board and executive level are 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. The Board holds apex responsibility for risk management and is supported by the IRMC, Audit Committee and ICT Committee in discharging its risk-related duties.

The IRMC comprises three Non-Executive Directors out of which two are Independent Directors and their responsibilities include the following:

- 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 tools

- 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

At Executive level, the **Independent Integrated Risk Management Division** provides organisation-wide oversight of all risks and assists the IRMC in fulfilling its mandate. It operates independently of revenue generating units and is headed by the Chief Risk Officer.

- 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

Policy Framework

The risk related standards, frameworks and policies ensure consistent treatment in the identification, measurement and management of risks across the organisation. All policies are reviewed and updated regularly to ensure applicability to changing internal and external operating landscapes and industry best practices. In 2020, the IIRMD added two new policies to its framework and updated 14 new policies by widening the scope, aligning with CBSL requirements and embedding social and governance risks to relevant policies.

New Policies/ Procedures introduced in 2020

- Vulnerability Management Policy (IT Risk)
- Cyber Security Policies for three overseas branches
- Three procedures and four guidelines relating to Information Security

Risk Culture

The Bank leverages on its three-lines of defense model, internal controls and Code of Ethics to nurture and maintain a strong risk culture. This culture is enhanced by emphasising the Bank's values and ethics which are instilled through policies, whistle-blowing procedures and compliance training. Meanwhile business units are also encouraged to balance risk-reward dynamics which result in the creation of sustainable triple bottom line value and inappropriate risk decisions are monitored on an ongoing basis.

Risk Appetite

BoC's risk appetite is an expression of the level of risk it is willing to take when driving towards its strategic and financial objectives. It is articulated in the form of a Risk Appetite Statement (RAS) and guides strategic and operational management decisions. In addition to defined limits on risk exposures, the 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 risks and the optimum balance between risk return dynamics.

Key Revisions in 2020

Capital charge commensurate with Corporate Plan

Foreign Exchange VaR along with market volatilities

Operational loss limits due to vulnerability towards Information Technology Risk

Revisions in a snapshot

Risk Appetite vs Actual performance in 2020

	Risk Appetite	Actual
Concentration Risk		
Product wise (HHI)*	1,500	1,424
Capital charge on risk exposures (LKR million)	182,391	172,807
Value at Risk (LKR '000)		
Forex VaR	110	45
Operational Risk (LKR million)		
Operational loss	665	40

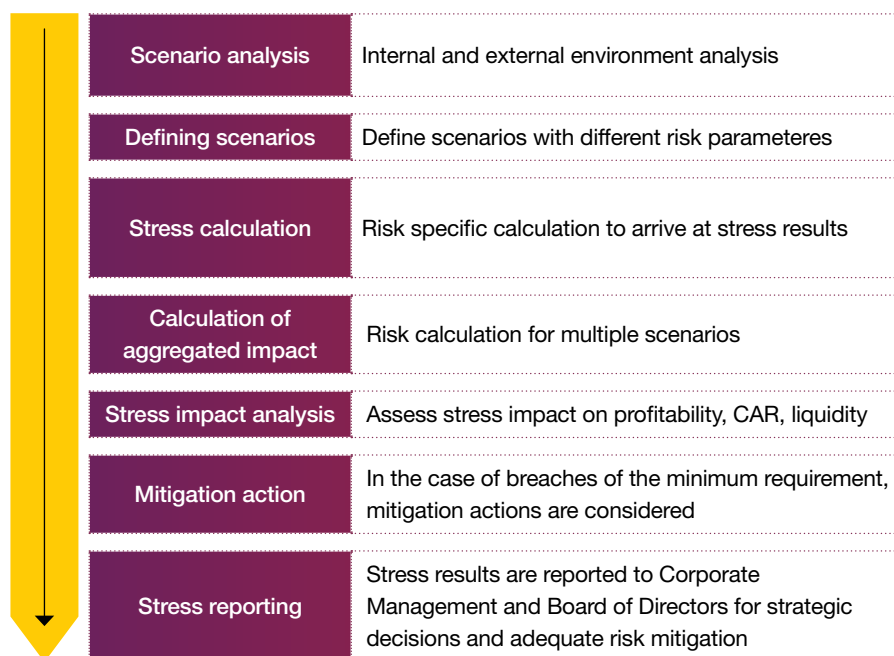
* HHI - Herfindahl - Hirschman Index

Stress Testing

Stress testing is a tool that is used to assess the sensitivity of the current and potential risk profile relative to the Bank's risk appetite. BoC's stress testing framework has evolved to a fit-for-purpose model ensuring coverage of all relevant risks and supports the Bank's strategic planning, determination of risk appetite,

capital management and formulation of risk mitigation action, among others. The stress testing framework uses a combination of techniques including macro-economic and business model stress testing.

BoC's stress testing process is illustrated below;



Risk Management

The unprecedented challenges which followed the outbreak of the pandemic necessitated a strengthening of the Bank's stress testing programme, across all types of key risks. Stress factors introduced to the programme in 2020 included the following:

- Adverse impacts on liquidity
- Increase in default rates across affected segments
- Increase in operational costs
- Volatilities in interest and exchange rates
- Impact of moratoriums granted

Risk	Stress scenario	Impact assessment on
Credit Risk	Increase in gross NPA ratio	Profitability, Liquidity and Capital Adequacy
Default Risk	Default in specific sector/ region	
Losing Government Exposure	Reduction of Government exposure	
Collateral Quality	Collateral Depletion	
Concentration Risk	Idiosyncratic Concentration – Top ten Borrowers	
	Top ten Depositors	
Market Risk	Exchange rate volatility	
Operation Risk	Increase in operational losses	

Risk Reporting

All risk exposures are reported to the Board of Directors and Corporate Management team 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 during the year, with special focus on the risk mitigants adopted to withstand the impacts of COVID-19.

Risk Performance in 2020

The Bank's exposure to risks arises from both external conditions as well as its own operations. 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.



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, credit quality deterioration and concentration of counterparties, geographical regions, or industry sectors.

Year in Brief 2020

The Group's loans and advances grew by 28% in 2020, supported by increased lending to the Government and private sectors; project financing under corporate lending, working capital facilities and BoC personal loans recorded strong growth during the year. As the Bank played a leading role in driving the country's economic revival, more than LKR 40 billion was disbursed under the "Saubagya" COVID-19 Renaissance facility comprising mainly working capital loans to affected businesses.



Credit risk implications of COVID-19 pandemic

- Economic downturn and slowdown in sectors such as tourism, trading, construction, manufacturing and consumption

- Relaxation in the classification of NPLs
- Anticipated impact on NII due to moratoria granted
- Anticipated increase in provisioning with the expiry of moratoria in March 2021

Key areas of Focus in 2020

The Bank adopted proactive measures to pre-empt and curtail the inevitable escalation in NPLs and impairments as customers faced considerable repayment pressure due to the economic downturn. Against this backdrop, BoC consistently monitored all borrowings through close customer engagement, offering flexible repayment schemes and restructuring of facilities for affected customers. Proactive monitoring ensured adherence to Ratings Based Lending and Risk Based pricing. During the year, the models used in credit risk rating were validated by external consultants. We also invested in enhancing the credit skills of employees through training initiatives to strengthen competencies in credit evaluation and management.

The Bank also established a dedicated Business Rehabilitation and Revival Unit, aimed at supporting businesses to weather the crisis rather than enforcing recovery mechanisms. In addition, the dedicated Project Finance Unit was

strengthened with specialised skills in managing large scale projects.

Meanwhile, IIRMD widened the operating scope of the Credit Quality Assurance Unit during the year.

- Monitor credit facilities of customers with exposure of over LKR 500 million, including checking the accuracy of documentation and confirmation of security documentation
- Ensure that the interest rates are correctly applied to the above customers to verify the income of the Bank
- Monitor cash flows routed through the Bank in proportion to the facilities extended through proactive engagement with Relationship Officers
- Ensure that the respective Credit Departments adhere to all conditions imposed by approving authorities

Credit Risk Management in 2020

BoC continues to evolve its robust credit risk management framework, ensuring that credit risk is identified, measured, managed and reported 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:

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 General Manager)

- Formulating, reviewing and implementing credit risk appetite limits
- Approving credit within authorised limits
- Ensuring regulatory compliance in the Bank's risk policies and guidelines
- Monitoring risk concentrations

Credit Risk Unit of IIRMD

Provides independent review of the first line of defense and oversee bank wide credit risk management

Risk Management

Credit Risk Management Framework

The Bank's comprehensive credit risk management policy mandates the following pre-credit sanctioning and post-disbursement monitoring mechanisms.

Pre-credit sanctioning	Structured credit appraisal mechanisms and defined credit criteria Multiple levels of approval authority and independent review by Chief Risk Officer (CRO) Limits for credit risk categories such as default, concentration and counterparty Retail scorecards and borrower rating models Risk based pricing Regulatory limits	Post disbursement monitoring	Ongoing and robust credit review Portfolio evaluation Loan review mechanism under credit quality assurance Proactive engagement with customers in identifying requirements and stresses Stress testing and scenario analyses Monitoring watch list exposure

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 ensure effective segregation of duties.

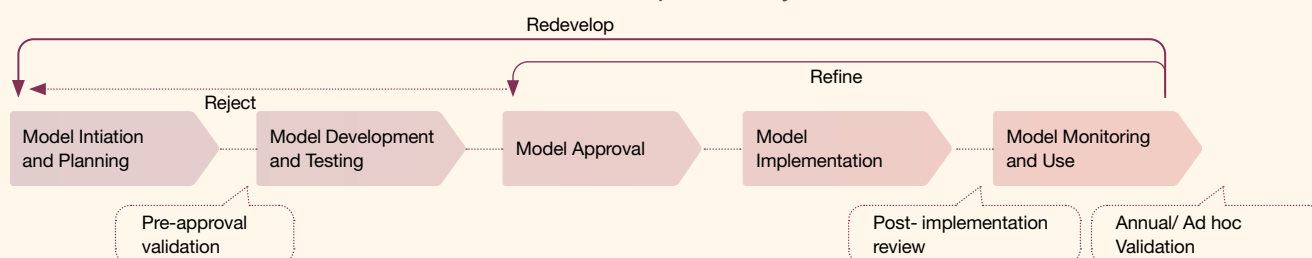
Collateral management

Bank obtains a range of collateral including cash, gold, properties, fixed assets, letters of credit, debtors and receivables among others as a comfort against possible default. Regular valuation of collaterals is carried to ensure adequate coverage against the facility provided.

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.

Model Development Life Cycle



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 in 2020

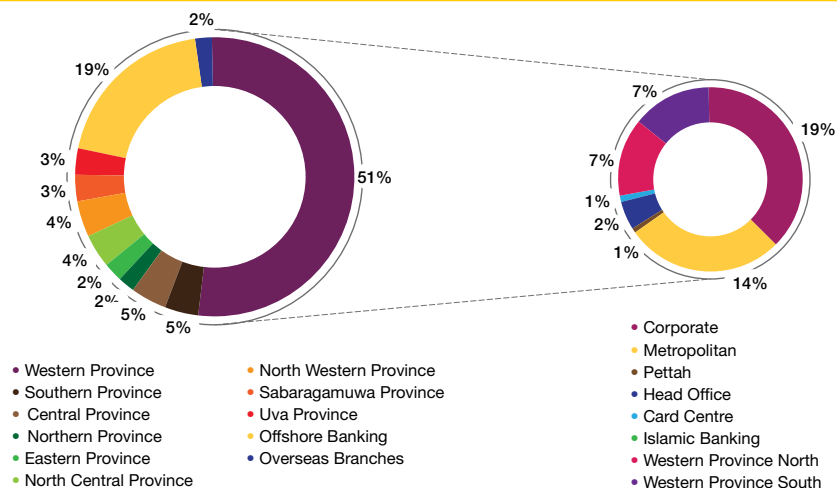
Default risk: The Bank's gross NPL ratio for the year remained relatively unchanged at 4.76%, compared to 4.79% the previous year; this was largely in line with the industry average of 4.7% by end-December 2020. On the other hand, impairment charges on loans and advances increased by 54% during the year, reflecting the moderating economic

conditions as well as the Bank's prudent approach in recognising expected losses despite the concessions given. Meanwhile, 88% of the Bank's portfolio comprised of borrowers in the rating categories of AAA to BB and above as demonstrated below:

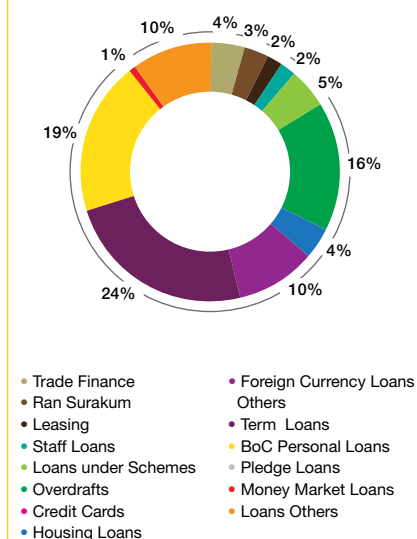
Concentration Risk: Concentration risk arises from high lending exposure to a counterparty/group, sector, product, or region and is measured through

the Herfindahl-Hirshman Index (HHI). Concentration is assessed against limits defined in the Risk Appetite Statement, specially for products, sectors, geographies and relatively significant customers. The exposure limits are reviewed and modified regularly to ensure continued applicability to changing industry dynamics.

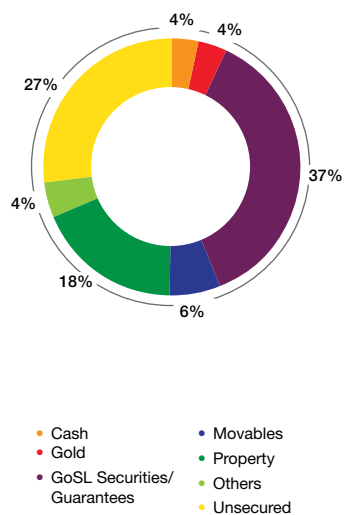
Geographical Concentration



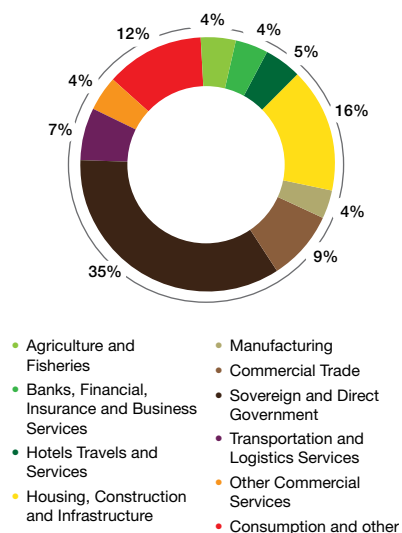
Product wise Concentration



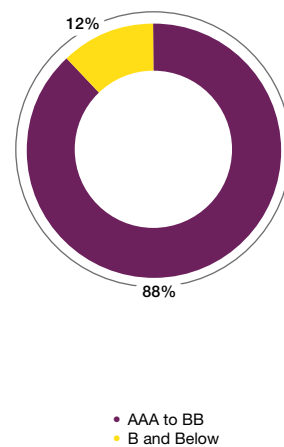
Collateral Exposure



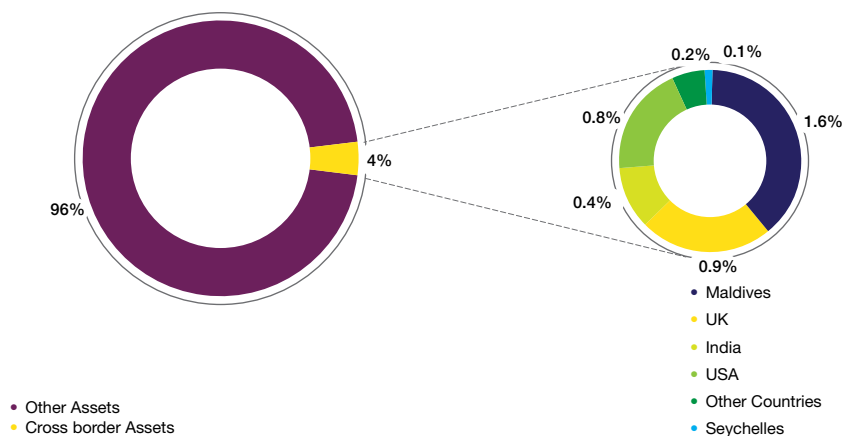
Sector Concentration



Rating Grade wise Distribution



Cross border exposure of the Bank



Risk Management

Market Risk

Potential losses arising from changes in earnings, 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. BoC is exposed to market risk through,

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

Year in Brief 2020

The market risk landscape during the year was characterised by the sustained decline in interest rates, as the regulator implemented several measures compelling banks to reduce interest rates. Accordingly, our lending rates were

reduced multiple times during the year, which in turn exerted pressure on NIM in line with the industry trend. Meanwhile the Sri Lankan Rupee recorded considerable volatility during the year, experiencing increased devaluation pressure in view of capital outflows, sharp drop in tourism earnings and export income during the year. The Sri Lankan Rupee depreciated by 2.26% in 2020, falling further above 4% in the first few months of 2021. The Colombo Stock Exchange also recorded volatility during the year, reflecting foreign selling and weaker investor sentiments during the first half of the year which resulted decline in ASPI followed by an increase in the last quarter.



Market risk implications of COVID-19 pandemic

- Increased pressure on NIM and resultant implications on NII
- Implications on investment and trading gains on the FIS portfolio
- Increased exposure to foreign currency risk

- Inoperative equity market at the outset

Key Areas of Focus in 2020

With the outbreak of the pandemic and increased volatility in financial and equity markets, the Bank sought to strengthen its market risk management mechanisms swiftly and proactively. Accordingly, we conducted a comprehensive review of all policies and consistently monitored emerging market developments through enhanced research and reporting on macro-economic developments. Additional Market Risk specific stress scenarios were embedded with Risk analysis and risk reports to enable proactive decision making.

Market Risk Management in 2020

The Bank's market risk management framework also comprises robust policy frameworks, clearly defined governance structures and proactive monitoring of market variables. A brief overview of this framework is given below:

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

- Monitoring maturity mismatches
- Assess the Bank's short-and-medium term liquidity requirements and formulate mechanisms to bridge any shortfalls
- Monitoring advances to deposits

Treasury Middle Office and Market Risk Management Unit

Independent review of Treasury and Investment functions.

Key Elements

Market risk policies

The market risk framework comprises the Market Risk Management policy, Limit Management Framework, Foreign Exchange Risk Management Policy, Middle Office Operations Manual and the elements of Assets and Liability Management Policy and Investment Policy. The policies are reviewed and updated regularly by the Board in view of changing dynamics in the operating landscape.

Risk limits

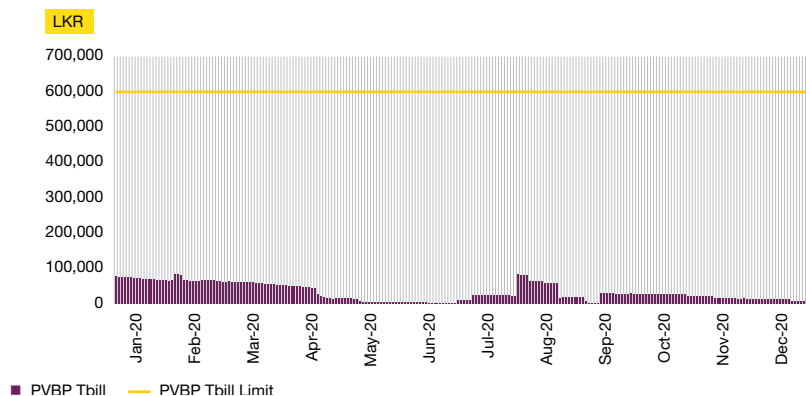
Comprehensive Limit Management Framework sets out detail portfolio limits, counterparty limits holding period limits, dealer limits and loss limits which are regularly reviewed and updated by the IIRMD inline with market developments and input by ALCO and Investment Committee.

Risk monitoring

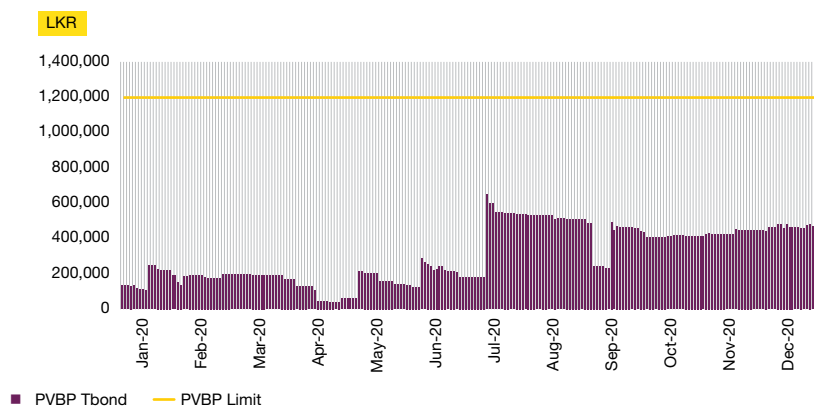
Market risk is monitored through a range of indicators including interest margins, foreign currency exposure, investments and funding requirements. Interest rate risk is monitored through tools such as value at risk, price value per basis point, duration, gap analysis, stress testing and sensitivity analysis. Exchange rate risk and equity risk are monitored through value at risk and prescribed limits.

Market Risk Performance in 2020

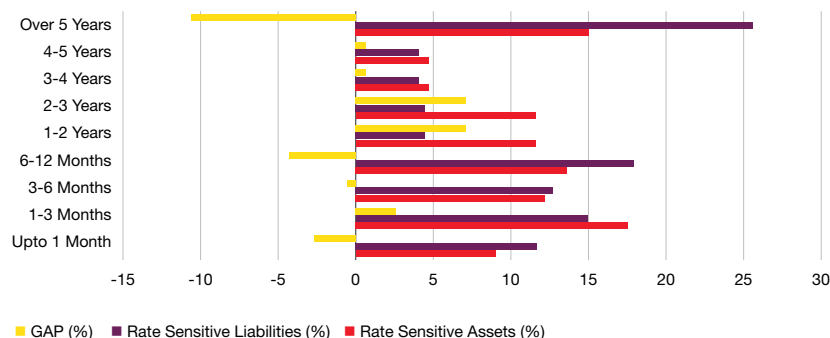
PVBP Tbill



PVBP Tbond



Sensitivity 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.

Key Areas of Focus In 2020

As described on the page 38 the Bank placed strategic focus on strengthening its liquidity position at the early onset of the pandemic. Actions by the regulator to support the sector's liquidity levels, including the reduction in SRR injected an approximate additional funds of LKR 40 billion to the Bank thereby providing an adequate cushion against sudden liquidity pressure. The Bank also recorded strong deposit growth of 23%, reflecting depositors' prevalence towards safe-haven investments in view of the market uncertainty and sentiments that prevailed.

Liquidity Risk Management in 2020

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. Reporting requirements including regular updates to the IRMC and the Board, which enables the Board to ensure that liquidity indicators are maintained within the parameters defined in the Risk Appetite.

Given the anticipated moderation in economic conditions, the Bank sought to enhance its liquidity buffer through the issue of perpetual bonds, trade-back loans utilising ADB Guaranteed facilities as well as engaging in cross currency SWAPS to boost foreign currency liquidity levels.

Risk Management

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 and fund management to ensure compliance to regulatory requirements and internal targets.
- Formulation of a Contingency Liquidity Plan.
- Exploring avenues of bridging liquidity shortfalls.

Market Risk Management Unit of IIRMD

- Providing independent oversight to liquidity management.

Key Elements

Liquidity policies

Policies such as Liquidity Risk Management Policy and Asset Liability Management Policy, 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 inflows and outflows in time buckets.

Fund approach: Measures liquidity position through liquidity ratios.

Contingency funding plan

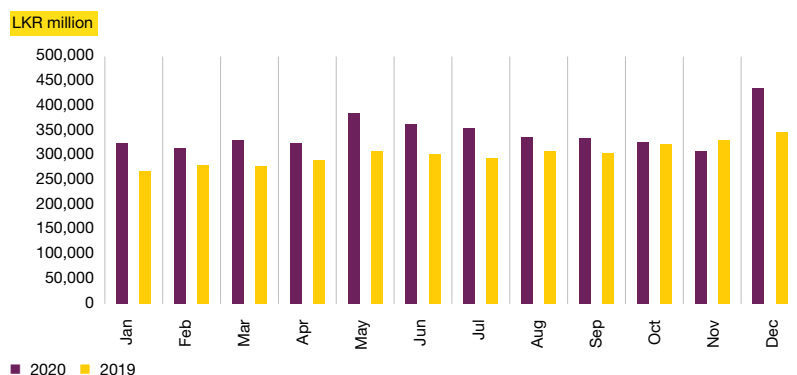
The plan defines specific triggers and action plans with specific responsibilities to ensure smooth continuity of operations in the event of liquidity stress.

Liquidity Review in 2020

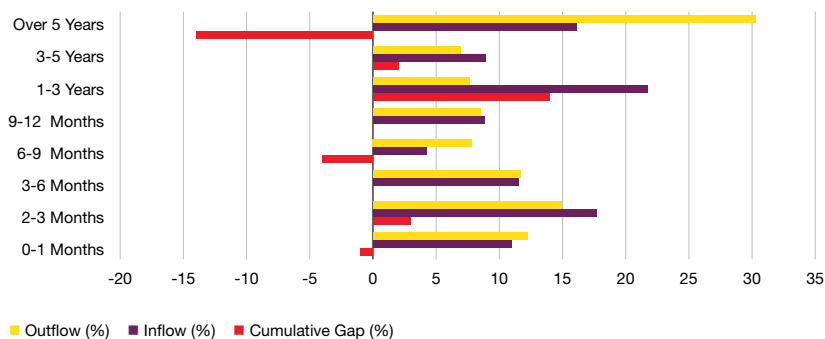
Despite the conditions that prevailed during the year, BoC maintained comfortable liquidity levels with a statutory liquid asset ratio of 26.6% (DBU) and 29.5% (Off-shore banking Unit) by end-December 2020. The Bank's liquidity position was upheld by its strong deposit franchise which led to strong growth in deposits as well as its diverse funding profile and adequate buffer of unencumbered securities close to half a trillion as at end-December 2020. Meanwhile, all liquidity indicators were maintained comfortably with the parameters and limits defined by the Risk Appetite statement and in compliance with all relevant regulatory requirements.

	31 December 2020	31 December 2019
Loans to deposit ratio	85.5%	82.2%
Statutory liquid asset ratio	26.6%	24.6%
Net Stable Funding Ratio	137.0%	135.0%
Liquidity Coverage Ratio	137.0%	125.6%

Unencumbered Securities



Maturity Analysis of Assets and Liabilities



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.

Year in Brief 2020

Operational risk emerged as a critical area of risk management during the year, as concerns on employee health and safety, disruptions to traditional operating models and dramatic shift towards digital platforms gave rise to an array of new risks. Organisations were quick to adapt to these dynamics through facilitating work-from-home arrangements and remote working arrangements. With the rapid and significant migration to digital platforms, cyber security issues including malware and phishing attacks have increased in both frequency and impact, underscoring the importance of strengthening IT security landscapes and protect sensitive data.



Operational risk implications of COVID-19 pandemic

- Strategic focus on ensuring health and safety of employees
- Ubiquity of digital platforms in delivering the customer offering, engaging with employees and other operations/processes
- Implications on employee morale and mental well-being

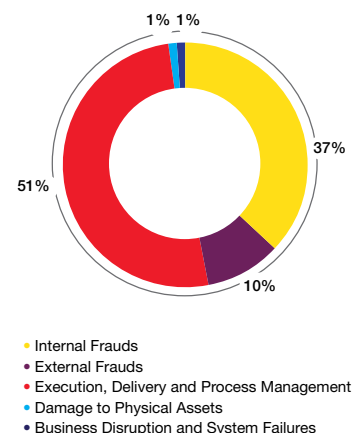
Key Areas of Focus In 2020

Following the outbreak of the pandemic, the Bank promptly activated its Disaster Recovery/Business Continuity Plans and dedicated pandemic response teams were put into action to monitor emerging developments. As an essential service provider, selected branches remained opened and we took comprehensive measures in ensuring the safety of our frontline employees by providing all hygiene and sanitary essentials, raising awareness and even facilitating transportation for certain employees. Other employees were given the opportunity to work from home and measures were taken to enhance employee engagement through digital platforms. The prevalent uncertainty inevitably had an adverse impact on employee morale and the Bank sought to increase communication through the launch of tvBOC during the year. Reporting to the Board of Directors was also strengthened, allowing the Board to proactively monitor and respond to emerging developments. As conditions necessitated a significant shift towards digital platforms, the Bank also placed strategic emphasis on strengthening its cyber-security and IT risk management frameworks. It is noteworthy, that despite the Bank's size and reach, BoC quickly adapted to the new realities, successfully offering uninterrupted banking services to its customers

Operational Risk Management in 2020

A holistic and comprehensive operational risk management framework ensures that all relevant risks are proactively managed while clearly defined governance structures drive organisation-wide responsibility in the identification of operational risks.

Loss Data Analysis



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)

Operational Risk Management Unit of IIRMD

Branches and business units (First line of defense)

Given the pervasive nature of operational risks, branches and business units are responsible for identification at the point of origination

Risk Management

Tools and Mechanisms

Policy framework

Key policies include Operational Risk Management Policy, the Fraud Risk Management Policy and the IT/ Information Security policies 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

Key Risk Indicators, internal loss data and root cause analysis are used to evaluate exposure to operational risks. IIRMD carries out Risk control self-assessments (RCSA) enabling the identification of potential pain points in critical units.

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, we 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 Performance in 2020

Despite the conditions that prevailed and the dramatic shift to new ways of working, the Bank successfully maintained operational risk parameters within the limits prescribed in the risk appetite statement.

The following section provides a brief overview of the Bank's other key risk exposures and measures taken to mitigate these risks during the year under review.

Technology and Cyber Security Risks

Risks associated with the ownership, use, operation, involvement and adoption of IT within the Bank and the potential service disruption, financial loss and reputation damage that could arise from the use of information systems.

Context in 2020

The importance of technology increased dramatically in 2020, as customer and employee interactions as well as daily operations and decision making was shifted to digital platforms. While successfully embracing the opportunity presented by this shift to accelerate digital adoption, this shift resulted in increased vulnerabilities to IT and cyber-security risks.

Key Areas of Focus in 2020

The Bank strengthened resilience to IT and cyber-risks through the following measures:

- Introduced new policy frameworks on Information Security including Vulnerability Management
- Issued Standard Operating Procedures and Security Incident Management Procedures for the Security Operations Center
- Strengthened Security Operations Centre (SOC) with 24x7 monitoring
- Updated the Information Security Master Plan
- Enhancements to the current security infrastructure through ongoing research, coordination with CERTs, enforcement of controls for SWIFT operations
- Strengthen third party risk management through increased engagement, stringent guidelines and risk assessments
- Increase employee awareness on Cyber Security risks through ongoing communications, e-learning modules including an Information Security Awareness programme/ evaluations and ongoing training through both physical and digital platforms
- Strengthen IT and Cyber security policy framework in overseas branches

- Proactive engagement with other relevant divisions on policies, guidelines and IT systems related procurements.

- Sharing expert knowledge across the organisation

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.

Risk Mitigation in 2020

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

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.

Risk Mitigation in 2020

- The Bank's ability to seamlessly offer uninterrupted services despite the unprecedented operating conditions that prevailed in 2020 has strengthened relationships among its customers.
- BoC has played a leading role in inspiring the economic revival, as the largest lender under the "Saubagya" facility and offering a blanket moratorium to all customers.
- These measures have increased its significance and relevance in the financial system.
- BoC is consistently ranked as one of Sri Lanka's leading brands and the No.1 brand in the banking sector
- Brand attributes of trust and stability

Strategic Risk

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

Risk mitigation in 2020

- 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
- Review of the potential impacts of COVID-19 on the Bank's Corporate Plan and refinement of strategic priorities to adapt to emerging developments
- Continued monitoring of performance against defined targets
- Use of comprehensive scorecards to measure strategic risk exposures

Capital Management

During the year, CBSL allowed Domestic Systemically Important Banks (D-SIBs) and non-D-SIBs to draw-down their Capital Conservation Buffers by 100 bps and 50 bps, thereby encouraging banks to direct credit flows to stimulate the economy. As BoC sought accelerated loan

growth to support affected businesses it placed parallel importance on strengthening its capital position to ensure continued stability.

As a state-bank, BoC is limited in its ability to access the equity market for capital injections and must rely primarily on internal profit generation and government injections in enhancing capital. Against this backdrop, the Bank adopted an innovative approach to capital management during the year, issuing two Additional Tier 1 bonds (Perpetual bonds) amounting to LKR 15 billion to institutional investors. The first of its kind to be issued in Sri Lanka, both issues were oversubscribed attesting to investor confidence in the Bank. The Bank also sought to effectively manage its dividend policy, thereby strengthening internal capital generation. As a result of these initiatives, the Bank's capital position strengthened during the year, with shareholders' funds increasing by 10% to LKR 156.7 billion. Meanwhile, capital injections by the Government in previous years have also strengthened the Bank's capital position.

	December 2020	December 2019
Tier 1 CAR	11.2%	11.2%
Total CAR	14.9%	15.6%

Internal Capital Adequacy Assessment Process (ICAAP)

ICAAP enables robust management of the Bank's capital profile, through aligning capital requirements to its risk profile, thereby ensuring that adequate capital is maintained to deliver its strategic agenda. Aligned with the pillar II requirements, the Bank's ICAAP takes into consideration the key risks of credit, market, operational, liquidity, Interest Rate Risk in the banking book, reputational, compliance and strategic risk. The ICAAP Steering Committee which is headed by the General Manager is responsible for identifying these material risks as well as designing and implementing stress testing scenarios.

Stress testing is an important element of 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. 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 unprecedented operating conditions that prevailed during the year and resultant impact on the Bank's risk profile we strengthened our stress testing mechanism through the following:

- Carried out scenarios for testing COVID-19 impact; this included negative impacts on liquidity, weakened portfolio quality from affected sectors, decline in non-interest income and increase in operational costs.
- Widened the stress testing by including plausible new scenarios.
- Pursue new avenues of strengthening capital such as the issue of additional Tier 1 Capital instruments (Perpetual bonds)



Financial Reports

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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 2020 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 18 March 2021.

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 and 141. There were no significant changes in the nature of the principal activities of the Bank and the Group during the year under

review, other than changes mentioned under Accounting policies.

2.3 Changes to the Group Structure

During the year, the structure of the Group has not undergone any change and, notes to the Financial Statements No. 30 and 31 on pages from 212 to 219 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 front 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 and 11 deals with the year's performance of the Bank/ Group and on the Sri Lankan economy. The General Manager's Review on pages 12 to 15 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 75 to 78 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 extended its services through the addition of a new branch and 2 limited service branches during the period under review. In addition, the Bank expanded its network by 133 ATMs and CRMs during the year across the island, bringing out the total direct customer contact points to 2,001. 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 5.0 million towards the COVID-19 Health care fund during the period under review and spent

LKR 75.0 million on Corporate Social Responsibility (CSR) activities carried out during the year 2020 (2019 – LKR 68.0 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 2020 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).

The accounting policies adopted in the preparation of Financial Statements are given on pages 140 to 318.

Annual Report of the Directors on the State of Affairs of Bank of Ceylon

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 and 11 and General Manager's Review on pages 12 to 15 of this Annual Report.

4. Total Income

The total income of the Group for the year 2020 was LKR 252,756 million as against LKR 248,692 million in the previous year. The Bank's total income accounted for 97.8% (2019 – 96.1%) of the total income of the Group. The main income of the Group is interest income, which comprises 91.6% (2019 – 91.4%) of the total income.

5. Dividends and Reserves

5.1 Profit and Appropriations

The Bank has recorded a profit before tax of LKR 23,552 million in 2020 reflecting a decrease of 20.7%, compared to LKR 29,685 million recorded for the previous year.

After deducting LKR 5,787 million (2019 – LKR 6,587 million) for income tax, the Bank has recorded Profit After Tax (PAT) for the year 2020 amounted to LKR 17,765 million, which is a 23.1% decrease compared to LKR 23,098 million PAT reported in 2019.

Tax expense has reduced by 12.2% compared to the previous year mainly due to the reduction of PBT.

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

	Bank		Group	
For the year ended 31 December	2020	2019	2020	2019
	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	29,010	40,206	27,627	41,478
Taxes on financial services	(5,458)	(10,521)	(5,463)	(10,851)
Share of profits/ (losses) of associate companies net of tax	-	-	82	48
Profit before income tax	23,552	29,685	22,246	30,675
Income tax expense	(5,787)	(6,587)	(5,939)	(6,928)
Profit for the year	17,765	23,098	16,307	23,747
Other comprehensive income for the year, net of tax	(1,792)	(12,639)	(730)	(12,047)
Total comprehensive income for the year	15,973	10,459	15,577	11,700
Appropriations				
Transfers to permanent reserve fund	(356)	(493)	(356)	(493)
Dividends	(1,596)	(346)	(1,596)	(346)

The profit before tax of the Group also decreased from LKR 30,676 million to LKR 22,246 million, a decrease of 27.5% in comparison to the previous year. After deducting LKR 5,939 million for income tax (2019 – LKR 6,928 million), the profit after tax for the year of the Group is LKR 16,307 million in 2020 (2019 – LKR 23,747 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 1,596 million has been paid out by the Bank as dividends for the year 2020 (2019 - LKR 346 million).

5.3 Reserves

The total reserves of the Group stood at LKR 142,689 million as at 31 December 2020 (2019 – LKR 128,212 million). The Group reserves consist of the following:

	Group	
As at 31 December	2020	2019
	LKR million	LKR million
Permanent reserve fund	13,739	13,383
Revaluation reserve	24,853	19,288
Free reserve	367	367
Exchange translation reserve	3,335	3,102
FVTOCI reserve	2,573	2,572
Statutory reserve	359	359
Retained earnings	97,463	89,141
Total	142,689	128,212

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 3,461 million (2019 – LKR 4,106 million) the details of which are given in Notes 33 and 35 of Financial Statements on pages 222 to 241 and 244 to 245 of this Annual Report.

7. Value of Freehold Properties

As per the Bank's Property Plant and Equipment (PPE) policy, the freehold lands and buildings of the Group and the Bank has been revalued as at the year end 2020 by professionally qualified independent valuers and incorporated in to the financial statements, to ensure that the carrying amount of such properties reflects the

current market prices. Accordingly, market value changes were identified pertaining to said properties and their values were adjusted to bring the current market prices in to the financial statements as at 31 December 2020.

The value of freehold properties owned by the Group as at 31 December 2020 is included in Note 33.2 of the Financial Statements at LKR 29,252 million (2019 – LKR 22,223 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 2020 was LKR 25,000 million (2019 – 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 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.

Being a Domestic Systemically Important Bank that has an innate responsibility towards maintaining the financial stability and economic development of Sri Lanka, the Bank looks forward to utilise these funds towards financially boosting the priority sectors of the country whilst strengthening the Tier 1 capital and enhancing the Single Borrower Exposure Limit encouraging entrepreneurship and investment within the country. This will largely benefit retail to large scale private and public sector enterprises to improve their businesses and eventually

contribute towards the country's overall economic performance.

Apart from the above, the Group has not issued any debentures or bonds during the year ended 31 December 2020 to support Tier 2 capital base (2019 – LKR 9,210 million).

The details of debentures outstanding as at the date of Statement of Financial Position are given in Note 48 of the Financial Statements on pages 266 to 269.

10. Share Information

The basic earnings per share and net assets value per share of the Group were LKR 674 (2019 – LKR 987) and LKR 6,708 (2019 – LKR 6,128) 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 63 to 72 under the section titled “Stability, Governance and Sustainable Growth”.

12. Directors

Details of Directors who held the office during the year 2020 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 17 to 19 of this Annual report. As of the Annual Report sign-off date, the number of Directors holding office is six (6).

During the year 2020, 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)

Mr K A Vimalenthirarajah

Non-Executive Ex officio Director
(Ceased to be a Director w.e.f. 10 January 2020)

Ms Visakha Amarasekera

Non-Executive Ex officio Director
(Appointed w.e.f. 11 January 2020 and ceased to be a Director w.e.f. 27 April 2020)

Mr Hasitha Premaratne

Independent Non-Executive Director
(Appointed w.e.f. 14 January 2020 and ceased to be a Director w.e.f. 08 December 2020)

Mr Lalith P Withana

Independent Non-Executive Director
(Appointed w.e.f. 14 January 2020 and ceased to be a Director w.e.f. 08 December 2020)

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
Mr Jayampathy Molligoda	Non-Executive	Independent

Annual Report of the Directors on the State of Affairs of Bank of Ceylon

The Directors are classified as Independent Directors on the basis given in Banking Act Direction No. 11 of 2007 on Corporate Governance for licensed commercial banks issued by the Central Bank of Sri Lanka.

12.2 Board Subcommittees

The Board has formed five subcommittees complying with the aforesaid Banking Act Direction No. 11 of 2007 to ensure oversight control over affairs of the Bank. The subcommittee composition is given under Subcommittee Reports on pages 94 to 99 of this Annual Report.

12.3 Directors' Meetings

Attendance of Directors at Board and subcommittee meetings are given on page 90 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 2020 are given in Note 16 on page 167.

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 100 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 94 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 85 to 93 of this Annual Report. The Board has obtained a report from the Auditor General on the compliance with the provisions of the above mentioned Direction No. 11 of 2007.

15. Human Resources

One of the most valuable assets of the Bank is its employees and it is important for the Bank to develop them. Several measures were taken to strengthen the much valued human capital in order to optimise their contribution towards the achievement of corporate objectives. The Bank's human resource management policies and practices are detailed in the section titled "Building a High-Performing Team" on pages 57 to 62 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 320 to 365 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 “Stability, Governance and Sustainable Growth” on pages 63 to 72.

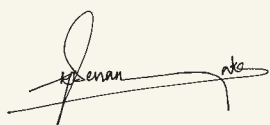
20. Post-Balance Sheet Events

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

18 March 2021

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 59 to the Financial Statements on pages 282 to 287.

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.

* For the better disclosure purpose, Directors' interest in contracts are disclosed as follows;

for the Directors who held the office as of the Reporting date, interest in contracts have been shown as of 31 December 2020, and

for the Directors appointed during the Reporting date to sign-off date of these Financial Statements, interest in contracts have been shown as of the appointment date.

Company	Relationship	Nature of Transactions	Limit	Balance/ Amount outstanding
			'000	'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		2,692
Hotels Colombo (1963) Limited (w.e.f. 24 February 2020)	Chairman	Current accounts		888
		Time Deposits		191,045
		Overdrafts	7,500	7,844
		Loans		112,210
		Other receivables		66,970
Property Development PLC (w.e.f. 25 February 2020)	Chairman	Current accounts		20,470
		Time Deposits		2,543,760
		Repo		48,200
Koladeniya Hydropower (Pvt) Limited (w.e.f. 28 February 2020)	Chairman	Current accounts		1,797
		Time Deposits		54,500
		Repo		45,600
Merchant Bank of Sri Lanka and Finance PLC (MBSL) (w.e.f. 30 September 2020)	Chairman	Current accounts		248,579
		Time Deposits		27
		Overdrafts	283,000	126,665
		Loans	1,500,000	1,370,535
BOC Property Development and Management (Pvt) Limited (w.e.f. 24 February 2020)	Chairman	Current accounts		6,750
		Time Deposits		1,220,300
		Repo		24,600
Bank of Ceylon (UK) Limited (w.e.f. 03 July 2020)	Chairman	Current accounts		5,334
		Savings accounts		24
		Nostro accounts		USD 1,502
				**280,032
				GBP 271
				**68,925
				EURO 128
				**29,448

Company	Relationship	Nature of Transactions	Limit	Balance/ Amount outstanding
			'000	'000 *
		Placements		USD 8,000
				**1,491,242
				Euro 500
				**114,711
				GBP 113,950
				**28,983,638
Mr A C Manilka Fernando (appointed as a Director of the Bank of Ceylon w.e.f. 21 April 2020)				
Softlogic Finance PLC	Director	Current accounts		384
		Savings accounts		7,171
Mr R M Priyantha Rathnayake (appointed as a Director of Bank of Ceylon w.e.f. 28 April 2020)				
Securities and Exchange Commission of Sri Lanka	Ex officio Director	Current accounts		49,080
		Time Deposits		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		29,702
		Savings accounts		41,068
		Savings accounts		USD 129
				**23,873
		Time Deposits		7,077,722
		Time Deposits		USD 191,005
				** 35,431,385
		Loans	400,000	400,000
		Letter of Credit	5,000,000	1,358,718
		Letter of Guarantee	50,000	20,800
Mr Jayampathy Molligoda (appointed as a Director of Bank of Ceylon w.e.f. 18 February 2021)				
Sri Lanka Tea Board	Chairman	Current accounts		146,291
		Time Deposits		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.

- 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 94.
- 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 new Sri Lanka Accounting Standards comprising LKAS and SLFRS in 2012. The processes and procedures initially applied to adopt the aforementioned accounting standards were further strengthened during the subsequent years based on the feedback received from internal and external auditors, regulators and the Board Audit Committee.
- With effect from 1 January 2018, the Bank adopted the Sri Lanka Accounting Standard – SLFRS 9 – “Financial Instruments”. The processes required to comply with the requirements of SLFRS 9 were introduced and implemented with the support of an external consultant.
- 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 COVID-19 pandemic triggered significant impact on economies, businesses, industries, households around the globe where Bank of Ceylon was no exception. Despite the challenges imposed by the COVID-19 pandemic during 2020, the Bank was able to meet all its regulatory requirements and is on a sound footing operationally and financially.
- The Bank complied with the moratorium packages introduced by the Government to provide relief to those affected by COVID-19. The resulting impact for the Bank was adequately assessed and reported as per applicable regulatory and reporting requirements.
- The expected impact of COVID-19 on Bank’s customers were also considered when assessing the impairment provisioning using the Expected Credit Loss (ECL) model under SLFRS 9 – “Financial Instruments”.
- The Bank adopted the Sri Lanka Accounting Standard – SLFRS 16 – “Leases” with effect from 1 January 2019. The Board has taken necessary steps to implement the requirements of the standard and these have been embedded to the existing control environment.
- A steering committee composing of various disciplines of the Bank monitors and coordinates the transition process relating to accounting standards and implementation of the automated financial reporting solution.
- 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 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 2020 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.

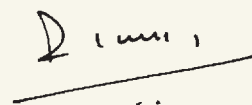
By order of the Board



Chairman - Audit Committee



Chairman



Director

Colombo, Sri Lanka
24 March 2021

Independent Assurance Report



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

BAF/B/BOC/IC/2020

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

01 April 2021

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 2020.

Management's Responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued in compliance with the Section 3 (8) (ii) (b) of the Banking Act Direction No. 11 of 2007, by the Institute of Chartered Accountants of Sri Lanka.

My Responsibility and Compliance with SLSAE 3050 (Revised)

My responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Bank of Ceylon.

I conducted my engagement in accordance with Sri Lanka Standard on Assurance

Engagements (SLSAE) 3050 (Revised), Assurance Report for Banks on Directors' Statement on Internal Control, issued by the institute of Chartered Accountants of Sri Lanka. This Standard required that I plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control. For purpose of this engagement, I am not responsible for updating or reissuing any reports, nor have I, in the course of this engagement, performed an audit or review of the financial information.

Summary of Work Performed

I conducted my engagement to assess whether the Statement is supported by the documentation prepared by or for Directors; and appropriately reflected the process the Directors have adopted in reviewing the system of internal control over financial reporting of the Bank.

The procedures performed were limited primarily to inquiries of Bank personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3050 (Revised) does not require me to consider whether the Statement covers all risk and controls, or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050 (Revised)

also does not require me to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on my judgement, having regard to my understanding of the nature of the Bank, the event or transaction in respect of which the Statement has been prepared.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Conclusion

Based on the procedures performed, nothing has come to my attention that causes me to believe that the Statement included in the Annual Report is inconsistent with my understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Bank.

W P C Wickramaratne
Auditor General



Directors' Responsibility for Financial Reporting

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 2020 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 2020 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 2020.

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 reports on risk are submitted to the Integrated Risk Management Committee on a quarterly basis for 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 94 to 96 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

18 March 2021
Colombo

Report of the Auditor General



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

BAF/B/BOC/FA/2020

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

24 March 2021

The Chairman
Bank of Ceylon

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Bank of Ceylon and its subsidiaries for the year ended 31 December 2020 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 2020 comprising the statement of financial position as at 31 December 2020 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 the 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 of the Bank and the Group give a true and fair view of the financial position of the Bank and the Group as at 31 December 2020, 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.





Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment allowance for Loans and Advances carried at amortised cost Loans and advances amounting to LKR 2,018,394 million (Note 27), net of impairment allowance of LKR 130,354 million (Note 27) and represents 66.7% of total assets of the Group as at 31 December 2020. As described in Note 4.4.11 impairment allowance on such financial assets carried at amortised cost is determined in accordance with Sri Lanka Accounting Standard – SLFRS 9 Financial Instruments (SLFRS 9). This was a key audit matter due to: - materiality of the reported provision for credit impairment which involved complex calculations; and - the degree of assumptions, judgements and estimation uncertainty associated with the calculations. Key areas of significant judgements, estimates and assumptions used by management in the assessment of the impairment allowance included the following: - the probable impacts of COVID-19 and related industry responses (e.g. government stimulus packages and debt moratorium relief measures granted by the Group); - the determination on whether or not customer contracts have been substantially modified due to such COVID-19 related stimulus and relief measures granted and related effects on the amount of interest income recognised on affected loans and advances; and - forward-looking macroeconomic factors, including developing and incorporating macroeconomic scenarios, given the wide range of potential economic outcomes and probable impacts from COVID-19 that may impact future expected credit losses.	I assessed the alignment of the Group's impairment computations and underlying methodology with the requirements of SLFRS 9 with consideration of COVID-19 impacts and related industry responses based on the best available information up to the date of my report. My audit procedures included amongst others the following: - I evaluated the design, implementation and operating effectiveness of controls where relevant over estimation of impairment of loans and advances, which included assessing the level of oversight, review and approval of impairment policies by the Board Audit Committee and management. - I checked the completeness and accuracy of the underlying data used in the computations by agreeing significant details to source documents and accounting records. - I test-checked the underlying calculations. - In addition to the above, the following focused procedures were performed: For a sample of loans and advances individually assessed for impairment: - Assessing the appropriateness of the criteria used by the management to determine whether there are any indicators of impairment; and - Evaluating the reasonableness of the provisions made with particular focus on the impact of COVID-19 on industries, strategic responsive actions taken, collateral values, and the value and timing of future cash flows. For loans and advances collectively assessed for impairment: - Assessing the reasonableness of assumptions and estimates used by management including the reasonableness of forward-looking information and scenarios; - As relevant, assessing the basis for and data used by management to determine overlays in consideration of the probable effects of the COVID-19 pandemic; and For loans and advances affected by government stimulus and debt moratorium relief measures granted: - Assessing the appropriateness of judgements, reasonableness of calculations and data used to determine whether customer contracts have been substantially modified or not and to determine the resulting accounting implications; and - Evaluating the reasonableness of the interest income recognised on such affected loans and advances. - I assessed the adequacy of the related financial statement disclosures as set out in Notes 3.3.8.4, 4.4.11, 14 and 27.

Report of the Auditor General



Key Audit Matter	How our audit addressed the Key Audit Matter
Bank's financial reporting process and related IT systems and controls The Bank uses multiple IT systems in its operations. The COVID-19 pandemic necessitated the Bank to adapt various operating processes and procedures including modification of relevant controls to mitigate the resulting risks. IT systems and controls relevant to financial reporting was a key audit matter due to: - A changed working environment of increased remote access; - The Bank's financial reporting process being heavily dependent on information derived from its IT systems; and - Key financial statement disclosures involving the use of multiple system – generated reports, collation and spreadsheet – based calculations.	My audit procedures included the following, amongst others: - Understanding the security monitoring procedures over IT systems relevant to financial reporting, given the increase in remote access; - Understanding and evaluating the design and operating effectiveness of key automated, IT dependent and manual controls implemented by management over generation of multiple system reports and collation of required information in calculating the significant information for financial statements disclosures; - Checking the source data of the reports used to generate significant disclosures for accuracy and completeness; - Checking the underlying calculations and the reasonableness of classifications made by management; and - Evaluating the management's general ledger reconciliation procedures which includes cross checking to system reports and source data where relevant.

1.4 Other information included in the Bank's 2020 Annual Report

The other information comprises the information included in the Bank's 2020 Annual Report, but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Company's 2020 Annual Report, if I conclude that there are material misstatements therein, I am

required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.5 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of

accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's and the Group's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Group is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic Financial Statements to be prepared of the Group.

1.6 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always

detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism 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 Group'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.

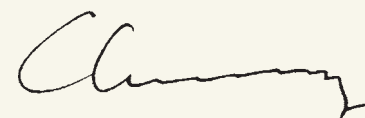
2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

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		
		2020	2019	Change	2020	2019	Change
		LKR '000	LKR '000	%	LKR '000	LKR '000	%
Total income	7	247,163,965	239,116,469	3.4	252,756,030	248,692,003	1.6
Interest income		226,310,574	220,477,174	2.6	231,454,401	227,377,777	1.8
Less : Interest expenses		151,534,708	145,330,696	4.3	154,251,160	149,082,891	3.5
Net interest income	8	74,775,866	75,146,478	(0.5)	77,203,241	78,294,886	(1.4)
Fee and commission income		14,261,148	14,569,762	(2.1)	14,500,865	14,969,583	(3.1)
Less : Fee and commission expenses		2,302,057	2,472,955	(6.9)	2,324,128	2,512,206	(7.5)
Net fee and commission income	9	11,959,091	12,096,807	(1.1)	12,176,737	12,457,377	(2.3)
Net gains/ (losses) from trading	10	2,627,620	2,535,301	3.6	2,643,463	2,555,256	3.5
Net fair value gains/ (losses) from financial instruments at fair value through profit or loss	11	928,234	321,789	188.5	991,525	342,807	189.2
Net gains/ (losses) from derecognition of financial assets	12	482,684	282,260	71.0	492,996	292,812	68.4
Net other operating income	13	2,553,705	930,183	174.5	2,672,780	3,153,768	(15.3)
Total operating income		93,327,200	91,312,818	2.2	96,180,742	97,096,906	(0.9)
Less : Impairment charge/ (reversal) for loans and other losses	14	31,232,178	18,597,725	67.9	32,032,073	18,719,243	71.1
Net operating income		62,095,022	72,715,093	(14.6)	64,148,669	78,377,663	(18.2)
Less : Operating expenses							
Personnel expenses	15	18,190,480	18,365,029	(1.0)	20,050,612	20,213,082	(0.8)
Depreciation and amortisation expenses		4,254,528	3,704,004	14.9	4,391,152	3,775,144	16.3
Other expenses	16	10,639,665	10,440,209	1.9	12,080,058	12,911,506	(6.4)
Total operating expenses		33,084,673	32,509,242	1.8	36,521,822	36,899,732	(1.0)
Operating profit/ (loss) before Taxes on financial services		29,010,349	40,205,851	(27.8)	27,626,847	41,477,931	(33.4)
Less : Taxes on financial services	17.1	5,458,468	10,520,624	(48.1)	5,463,182	10,850,549	(49.7)
Operating profit/ (loss) after Taxes on financial services		23,551,881	29,685,227	(20.7)	22,163,665	30,627,382	(27.6)
Share of profits/ (losses) of associate companies, net of tax	18	-	-	-	82,488	48,187	71.2
Profit/ (loss) before income tax		23,551,881	29,685,227	(20.7)	22,246,153	30,675,569	(27.5)
Less : Income tax expense	17.2	5,786,749	6,587,192	(12.2)	5,938,747	6,928,234	(14.3)
Profit/ (loss) for the year		17,765,132	23,098,035	(23.1)	16,307,406	23,747,335	(31.3)
Profit attributable to :							
Equity holder of the Bank		17,765,132	23,098,035	(23.1)	16,842,514	23,452,040	(28.2)
Non-controlling interest		-	-	-	(535,108)	295,295	(281.2)
Profit/ (loss) for the year		17,765,132	23,098,035	(23.1)	16,307,406	23,747,335	(31.3)
Earnings per share and Dividend per share	19						
Basic earnings per share (LKR)		710.61	971.85	(26.9)	673.70	986.74	(31.7)
Diluted earnings per share (LKR)		710.61	923.92	(23.1)	673.70	938.08	(28.2)
Dividend per share (LKR)		63.86	14.58	338.0	63.86	14.58	338.0

The Notes to the Financial Statements from pages 140 to 318 form an integral part of these Financial Statements.

Statement of Comprehensive Income

For the year ended 31 December	Bank			Group		
	2020	2019	Change	2020	2019	Change
	LKR '000	LKR '000	%	LKR '000	LKR '000	%
Profit/ (loss) for the year	17,765,132	23,098,035	(23.1)	16,307,406	23,747,335	(31.3)
Items that will be reclassified to the profit or loss						
Exchange differences on translation of foreign operations	11,571	(142,361)	(108.1)	233,259	(55,239)	(522.3)
Net gains/ (losses) on investments in debt instruments measured at fair value through other comprehensive income (FVTOCI)	114,650	76,949	49.0	137,205	79,550	72.5
Net (gains)/ losses on investment in financial assets at FVTOCI reclassification to profit or loss	(3,521)	231,126	(101.5)	(3,521)	231,126	(101.5)
Deferred tax effect on above	(19,946)	(80,282)	(75.2)	(19,946)	(80,282)	(75.2)
Share of other comprehensive income of Associate companies, net of tax	-	-	-	(19,439)	(7,078)	174.6
Total items that will be reclassified to the profit or loss	102,754	85,432	20.3	327,558	168,077	94.9
Items that will not be reclassified to profit or loss						
Change in fair value on investments in equity instruments designated at fair value through other comprehensive income	(271,739)	54,970	(594.3)	(805)	14,446	(105.6)
Deferred tax effect on above	(91,689)	(144,356)	(36.5)	(91,689)	(144,356)	(36.5)
Gains/ (Losses) of derecognition of investments in equity instruments designated at fair value through other comprehensive income	-	15,295	(100.0)	-	15,295	(100.0)
Changes in revaluation surplus/ (deficit)	6,932,984	-	-	7,774,192	790,887	883.0
Deferred tax effect on above	(1,941,235)	-	-	(2,176,773)	(221,448)	883.0
Net actuarial gains/ (losses) on defined benefit plans	(9,530,481)	(12,666,432)	(24.8)	(9,582,774)	(12,704,271)	(24.6)
Deferred tax effect on above	3,007,330	16,379	18,260.9	3,020,118	34,000	8,782.7
Total items that will not be reclassified to the profit or loss	(1,894,830)	(12,724,144)	(85.1)	(1,057,731)	(12,215,447)	(91.3)
Other comprehensive income for the year, net of tax	(1,792,076)	(12,638,712)	(85.8)	(730,173)	(12,047,370)	(93.9)
Total comprehensive income for the year	15,973,056	10,459,323	52.7	15,577,233	11,699,965	33.1
Attributable to:						
Equity holder of the Bank	15,973,056	10,459,323	52.7	16,074,875	11,382,536	41.2
Non-controlling interest	-	-	-	(497,642)	317,429	(256.8)
Total comprehensive income for the year	15,973,056	10,459,323	52.7	15,577,233	11,699,965	33.1

The Notes to the Financial Statements from pages 140 to 318 form an integral part of these Financial Statements.

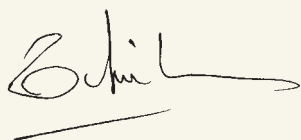
Statement of Financial Position

As at 31 December	Note	Bank			Group		
		2020	2019	Change	2020	2019	Change
		LKR '000	LKR '000	%	LKR '000	LKR '000	%
Assets							
Cash and cash equivalents	21	84,416,624	64,868,895	30.1	83,198,445	64,829,735	28.3
Balances with Central Banks	22	33,351,852	54,594,436	(38.9)	33,351,852	54,594,436	(38.9)
Placements with banks	23	27,615,851	44,476,343	(37.9)	27,913,969	47,911,621	(41.7)
Securities purchased under resale agreements	24	2,001,047	2,179,449	(8.2)	3,822,312	3,981,886	(4.0)
Derivative financial instruments	25	548,926	132,090	315.6	548,926	132,090	315.6
Financial assets recognised through profit or loss - measured at fair value	26	9,856,220	10,055,415	(2.0)	10,869,471	11,052,769	(1.7)
Financial assets at amortised cost							
- loans and advances	27	1,988,409,007	1,549,804,871	28.3	2,018,393,730	1,580,949,025	27.7
- debt and other instruments	28	724,390,172	572,747,809	26.5	725,579,585	573,977,330	26.4
Financial assets measured at fair value through OCI	29	15,362,480	14,236,090	7.9	17,913,778	17,016,553	5.3
Investment in subsidiary companies	30	6,513,048	6,513,048	-	-	-	-
Investment in associate companies	31	92,988	92,988	-	510,084	447,035	14.1
Investment properties	32	2,534,118	2,648,784	(4.3)	114,370	117,276	(2.5)
Property, Plant and Equipment	33	33,366,003	25,579,065	30.4	47,418,620	39,486,380	20.1
Right of Use Assets/ Leasehold properties	34	3,208,879	3,479,937	(7.8)	2,643,686	2,187,622	20.8
Intangible assets	35	1,020,881	1,127,007	(9.4)	1,228,597	1,361,858	(9.8)
Deferred tax assets	36	-	-	-	76,873	511,936	(85.0)
Other assets	37	50,292,999	62,580,402	(19.6)	51,189,477	63,926,060	(19.9)
Total assets		2,982,981,095	2,415,116,629	23.5	3,024,773,775	2,462,483,612	22.8
Liabilities							
Due to banks	38	2,402,043	2,669,407	(10.0)	2,628,434	2,932,950	(10.4)
Securities sold under repurchase agreements	39	57,106,652	34,183,210	67.1	57,697,780	34,880,507	65.4
Derivative financial instruments	40	102,182	106,677	(4.2)	102,182	106,677	(4.2)
Financial liabilities at amortised cost							
- due to depositors	41	2,474,775,488	2,005,211,794	23.4	2,493,110,291	2,025,204,033	23.1
- other borrowings	42	180,884,127	137,833,543	31.2	185,102,055	145,095,262	27.6
Debt securities issued	43	-	-	-	2,107,493	2,107,810	-
Current tax liabilities	44	591,723	-	-	775,259	138,677	459.0
Deferred tax liabilities	36	923,462	4,592,021	(79.9)	3,305,797	7,182,866	(54.0)
Insurance provision - Life	45	-	-	-	498,767	511,091	(2.4)
Insurance provision - Non life	45	-	-	-	488,784	358,504	36.3
Other liabilities	46	44,898,628	34,015,688	32.0	45,372,722	34,758,044	30.5
Subordinated liabilities	48	64,637,407	54,221,552	19.2	64,627,397	54,211,542	19.2
Total liabilities		2,826,321,712	2,272,833,892	24.4	2,855,816,961	2,307,487,963	23.8

As at 31 December	Note	Bank			Group		
		2020	2019	Change	2020	2019	Change
		LKR '000	LKR '000	%	LKR '000	LKR '000	%
Equity							
Share capital	49	25,000,000	25,000,000	-	25,000,000	25,000,000	-
Permanent reserve fund	50	13,739,000	13,383,000	2.7	13,739,000	13,383,000	2.7
Retained earnings	51	96,983,948	87,689,480	10.6	97,463,266	89,140,565	9.3
Other reserves	52	20,936,435	16,210,257	29.2	31,486,761	25,686,997	22.6
Total equity attributable to equity holder of the Bank		156,659,383	142,282,737	10.1	167,689,027	153,210,562	9.5
Non-controlling interest	53	-	-	-	1,267,787	1,785,087	(29.0)
Total equity		156,659,383	142,282,737	10.1	168,956,814	154,995,649	9.0
Total liabilities and equity		2,982,981,095	2,415,116,629	23.5	3,024,773,775	2,462,483,612	22.8
Contingent liabilities and commitments	55	580,448,870	508,217,961	14.2	599,908,069	516,632,979	16.1
Net assets value per share (LKR)	49	6,266.38	5,691.31	10.1	6,707.56	6,128.42	9.5

The Notes to the Financial Statements from pages 140 to 318 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 2020 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



D P K Gunasekera
General Manager

18 March 2021
Colombo

Statement of Changes In Equity

Bank

	Note	Share Capital LKR '000	Capital Pending Allotment LKR '000	Permanent Reserve Fund LKR '000
Balance as at 1 January 2019		20,000,000	5,000,000	12,890,000
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 2019	19.3	-	-	-
Transfers to share capital	49.1	5,000,000	(5,000,000)	
Transfers to permanent reserve fund	50	-	-	493,000
Revaluation surplus of disposed property		-	-	-
Total transactions with equity holder		5,000,000	(5,000,000)	493,000
Balance as at 31 December 2019		25,000,000	-	13,383,000
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	19.3	-	-	-
Transfers to permanent reserve fund	50	-	-	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

The Notes to the Financial Statements from pages 140 to 318 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
1,838,194	2,681,679	11,698,270	78,061,681	132,169,824
-	-	-	23,098,035	23,098,035
138,407	(142,361)	-	(12,634,758)	(12,638,712)
138,407	(142,361)	-	10,463,277	10,459,323
-	-	-	(346,410)	(346,410)
-	-	-	-	-
-	-	-	(493,000)	-
-	-	(3,932)	3,932	-
-	-	(3,932)	(835,478)	(346,410)
1,976,601	2,539,318	11,694,338	87,689,480	142,282,737
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

Statement of Changes In Equity

Group

	Note	Share Capital LKR '000	Capital Pending Allotment LKR '000	Permanent Reserve Fund LKR '000
Balance as at 1 January 2019		20,000,000	5,000,000	12,890,000
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 2019	19.3	-	-	-
Subsidiary dividends to non controlling interest		-	-	-
Transfer to share capital	49.1	5,000,000	(5,000,000)	-
Transfers to permanent reserve fund	50	-	-	493,000
Revaluation surplus of disposed property		-	-	-
Loss of control of subsidiaries		-	-	-
Reversal of unclaimed dividend		-	-	-
Total transactions with equity holders		5,000,000	(5,000,000)	493,000
Balance as at 31 December 2019		25,000,000	-	13,383,000
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	19.3	-	-	-
Subsidiary dividends to non controlling interest		-	-	-
Transfers to permanent reserve fund	50	-	-	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

The Notes to the Financial Statements from pages 140 to 318 form an integral part of these Financial Statements.

Attributable to equity holder of the Bank					
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
2,474,454	3,882,588	18,746,709	79,179,548	695,149	142,868,448
-	-	-	23,452,040	295,295	23,747,335
97,370	(55,239)	545,047	(12,656,682)	22,134	(12,047,370)
97,370	(55,239)	545,047	10,795,358	317,429	11,699,965
-	-	-	(346,410)	-	(346,410)
-	-	-	-	(18,490)	(18,490)
-	-	-	-	-	-
-	-	-	(493,000)	-	-
-	-	(3,932)	3,932	-	-
-	-	-	-	790,999	790,999
-	-	-	1,137	-	1,137
-	-	(3,932)	(834,341)	772,509	427,236
2,571,824	3,827,349	19,287,824	89,140,565	1,785,087	154,995,649
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

Statement of Cash Flows

For the year ended 31 December	Note	Bank		Group	
		2020	2019	2020	2019
		LKR '000	LKR '000	LKR '000	LKR '000
Cash flows from operating activities					
Profit before income tax		23,551,881	29,685,227	22,246,153	30,675,569
Adjustments for:					
Net interest income	8	(74,775,866)	(75,146,478)	(77,203,241)	(78,294,886)
Dividend income on trading securities	10	(73,023)	(96,309)	(73,245)	(97,092)
Dividends from subsidiaries and associates	13	(434,475)	(345,585)	-	-
Share of (profits)/ losses of associate companies, net of tax	18	-	-	(82,488)	(48,187)
Change in operating assets	54.1	(413,982,794)	(123,777,345)	(409,184,335)	(126,506,700)
Change in operating liabilities	54.2	496,722,445	176,310,288	497,455,395	180,103,954
Other non-cash items included in profit before tax	54.3	39,963,871	23,347,090	40,978,788	23,991,568
Other net gains from investing activities		(1,410,918)	604,049	(1,484,521)	635,619
		69,561,121	30,580,937	72,652,506	30,459,845
Benefit paid from defined benefit plans		(8,590,729)	(8,375,632)	(8,625,429)	(8,440,117)
Interest received		168,040,640	154,261,084	172,733,898	161,145,280
Interest paid		(128,555,512)	(129,479,004)	(130,549,871)	(132,815,732)
Dividends received		73,023	96,309	73,245	97,092
Net cash from/ (used in) operating activities before income tax		100,528,543	47,083,694	106,284,349	50,446,368
Income tax paid	44	(5,158,415)	(10,870,994)	(5,361,254)	(11,174,355)
Net cash from/ (used in) operating activities		95,370,128	36,212,700	100,923,095	39,272,013
Cash flows from investing activities					
Net increase in financial assets at amortised cost		(145,229,377)	(21,107,321)	(145,189,269)	(22,219,557)
Net (increase)/ decrease in financial assets measured at fair value through OCI		(206,410)	1,923,846	162,251	2,755,046
Addition to investment properties		(3,007)	-	-	-
Purchase of Property, Plant and Equipment and leasehold properties		(2,946,477)	(3,386,478)	(3,059,995)	(3,711,782)
Purchase of intangible assets		(367,195)	(317,483)	(401,078)	(394,389)
Proceeds from sale of Property, Plant and Equipment		37,635	77,270	50,688	183,306
Dividends received		764,802	659,522	557,924	348,398
Interest received		44,988,953	47,770,628	45,439,524	48,246,461
Net cash from/ (used in) investing activities		(102,961,076)	25,619,984	(102,439,955)	25,207,483

For the year ended 31 December	Note	Bank		Group	
		2020	2019	2020	2019
		LKR '000	LKR '000	LKR '000	LKR '000
Cash flows from financing activities					
Net increase/ (decrease) in other borrowings		28,159,729	(69,863,965)	21,685,842	(70,338,490)
Proceeds from issue of debentures/ capital bonds		15,000,000	9,210,000	15,000,000	9,210,000
Payments on redemption of debentures		(4,779,196)	(6,166,475)	(4,779,196)	(8,165,598)
Dividends paid to Equity holders of the Bank		(1,596,410)	(346,410)	(1,596,410)	(346,410)
Dividends paid to non-controlling interest		-	-	(19,658)	(18,490)
Interest payments on borrowings and debt securities		(8,738,923)	(8,733,722)	(9,461,333)	(9,188,023)
Net cash from/ (used in) financing activities		28,045,200	(75,900,572)	20,829,245	(78,847,011)
Net increase/ (decrease) in cash and cash equivalents during the year		20,454,252	(14,067,888)	19,312,385	(14,367,515)
Cash and cash equivalents at the beginning of the year		63,523,958	77,591,846	63,221,255	77,588,770
Cash and cash equivalents at the end of the year		83,978,210	63,523,958	82,533,640	63,221,255
Analysis of cash and cash equivalents					
Cash and cash equivalents	21	84,416,624	64,868,895	83,198,445	64,829,735
Bank overdrafts	38	(438,414)	(1,344,937)	(664,805)	(1,608,480)
Cash and cash equivalents at the end of the year		83,978,210	63,523,958	82,533,640	63,221,255

The Notes to the Financial Statements from pages 140 to 318 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 2020 was 8,479 (2019-8,503).

1.2 Consolidated Financial Statements

The Consolidated Financial Statements are prepared as at and for the year ended 31 December 2020 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 and 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.
BOC Management and Support Services (Private) Limited	Not in operation.
BOC Property Development and 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.
Koladeniya Hydropower (Private) Limited	Hydropower generation.
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.

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 and 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.

There were no significant changes in the nature of principal activities of the Bank, Subsidiaries and Associates during the year under review. BOC Management and 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 2020 were authorised for issue on 18 March 2021 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 2020, together with the comparative year data as at and for the year ended 31 December 2019, 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

Notes to the Financial Statements

for inflationary factors which has been applied on a consistent basis, except for the following:

- Derivative financial instruments are measured at fair value (Note 25 and 40)
- Financial assets recognised through profit or loss - measured at fair value (Note 26)
- Financial assets measured at fair value through OCI (Note 29)
- 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 33)
- 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 47)

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 58 - "Maturity Analysis of Assets and Liabilities".

3.3.1 Functional and Presentation Currency

Items included in the Financial Statements are measured and presented in Sri Lankan Rupees ("LKR") which is the functional currency of the primary economic environment in which the Bank operates.

3.3.2 Accrual Basis of Accounting

The Financial Statements, except for information on Statement of Cash Flows have been prepared following the accrual basis of accounting.

3.3.3 Offsetting

Financial assets and financial liabilities are generally reported gross in the Statement of Financial Position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business.
- The event of default.
- The event of insolvency or bankruptcy of the Bank/ Group and/ or its counterparties.

Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by any accounting standard or interpretation and as 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 61. 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.

Notes to the Financial Statements

3.3.8.4 Impairment Charge for Loans and Advances

The measurement of impairment charge under SLFRS 9- "Financial Instruments" requires judgement by management in identification and estimation of the amount and timing of future cash flows when determining an impairment charge for loans and advances.

Accordingly, the Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment charge should be provided in the Statement of Profit or Loss.

In particular, the Management's judgement is required in identification and estimation of the amount and timing of future cash flows when determining the impairment loss.

In estimating these cash flows, the Group makes judgements about the borrower's financial position, the net realisable value of collateral and other related factors. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

A collective impairment provision is established for the groups of homogeneous loans and advances that are not considered individually significant and groups of loans that are individually significant but that were not found to be individually impaired. A collective assessment of impairment takes into account the data from loan portfolio (such as credit quality, levels of arrears, credit utilisation, etc.), concentrations of risk and economic data (including levels

of Unemployment, Inflation, GDP growth rate and Country rating) and the Performance of different individual Group.

The impairment requirements in SLFRS 9 - "Financial Instruments" are based on an Expected Credit Loss (ECL) model and it is reflected the general pattern of deterioration, or improvement in the credit quality of financial instruments. The Group calculates ECLs either on a collective or an individual basis. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition and measured under following bases:

- 12-month ECLs (stage 1), which apply to all items as long as there is no significant deterioration in credit risk.
- Lifetime ECLs (stages 2 and 3), which apply when a significant increase in credit risk has occurred on an individual or collective basis.

Further, the Group makes additional judgements and estimates with regard to the following under ECL model.

- The Group's criteria for assessing if there has been a significant increase in credit risk and so impairment for financial assets should be measured on a Lifetime ECL basis.
- Development of ECL models, including various formula and the choice of inputs.
- Determination of association between macro-economic

inputs, such as GDP growth, inflation, interest rates, exchange rates and unemployment with the effect on Probability of Default (PD), 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 macro economic 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 judgements 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 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 expected future inflation rate and expected future salary increase rates of the Group. All assumptions are reviewed at each Reporting date and assumptions used in the year are given in Note 47.

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 33.

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 33.

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 and 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.

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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 investees and has the ability to affect the returns of those investees through its power over the investees. 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, 17 and 36.

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 30 and 31.

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 Combination", which requires that the assets acquired and liabilities assumed

constitute a business. Business combinations are accounted for using the acquisition method. As of the acquisition date, the amount of non-controlling interest is measured either at fair value or at the non-controlling interests' proportionate share of the acquirer's identifiable net assets.

Acquisition related cost are costs the acquirer incurs to effect a business combination. Those costs include finder's fees, advisory, legal, accounting, valuation, other professional consulting fees, general administrative costs including the cost of maintaining an Internal Acquisition Department and cost of registering and issuing debt and equity securities. Acquisition related costs, other than those associated with the issue of debt or equity securities are expensed in the periods in which the costs are incurred and the services are received. The Group elects on a transaction by transaction basis whether to measure non-controlling interests at its fair value or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred.

4.1.2 Loss of Control

When the Group loses control over a Subsidiary, it derecognises the assets and liabilities of the Subsidiary, and any related Non-Controlling Interest (NCI) and other components of equity. Any resulting gain or loss is recognised in Profit or Loss. Any interest retained in the former

Subsidiary is measured at fair value when control is lost. Further, the Bank's share of components previously recognised in Other Comprehensive Income (OCI) is reclassified to Profit or Loss or Retained Earnings as appropriate. Any surplus or deficit arising on the loss of control is recognised in the Profit or Loss. If the Group retains any interest in the previous Subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

4.2 Foreign Currency Translations

4.2.1 Foreign Currency Transactions and Balances

At the initial recognition, transactions in foreign currency are translated into the functional currency of the operation which is Sri Lankan Rupees (LKR) at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currency at the Reporting date are retranslated into the functional currency at the spot exchange rate at that date and all differences arising on non-trading activities are taken to "Net other operating income" (Note 13) in the Statement of Profit or Loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial recognition. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are retranslated into the functional

currency at the spot exchange rate including any exchange gain or loss component at the date on which the fair value is determined. Gain or loss on a non-monetary item including exchange component is recognised in Other Comprehensive Income. Forward exchange contracts are valued at the forward market rates ruling on the Reporting date and resulting net unrealised gains or losses are dealt within the Statement of Profit or Loss.

4.2.2 Foreign Operations

The results and financial position of foreign operations, whose functional currencies are not Sri Lankan Rupees, are translated into Sri Lankan Rupees as follows:

The assets and liabilities of foreign operations are translated into Sri Lankan Rupees at spot exchange rate as at the Reporting date. The income and expenses of foreign operations are translated at average rate for the period. Foreign currency differences on the translation of foreign operations are recognised in Other Comprehensive Income.

When a foreign operation is disposed of, 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.

4.3 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

Notes to the Financial Statements

assets that is created or retained by the Group is recognised as a separate asset or liability.

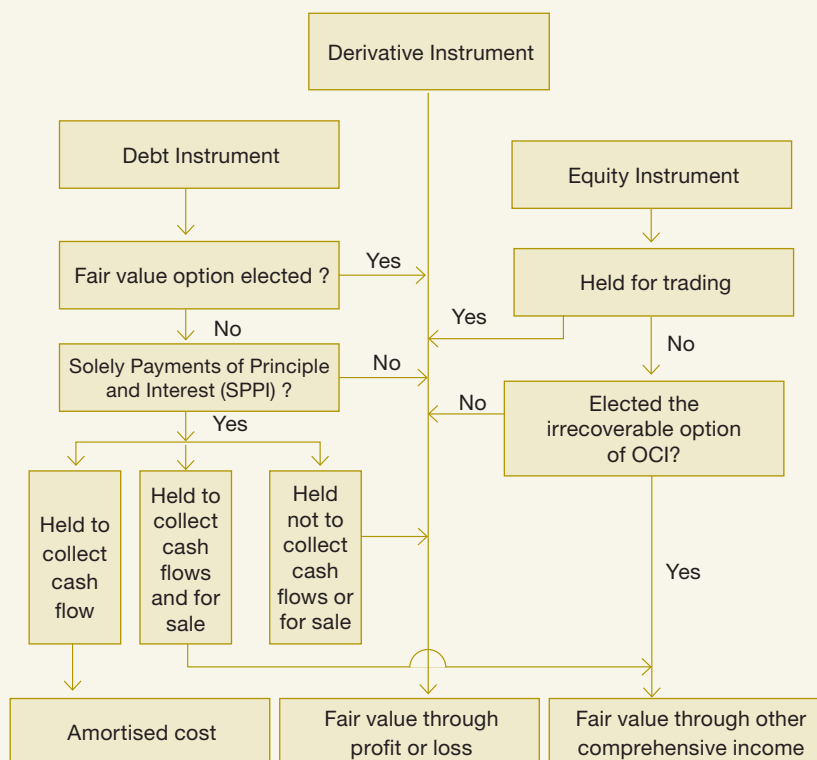
As explained in Note 4.4.11.7, modifications to the original terms and conditions of the loans due to COVID-19 moratorium did not result in a derecognition of the original loans as the Group concluded that the modifications were not substantial. Accordingly, a modification loss has been recognised during the year ended 31 December 2020 under interest income in Note 8.1, representing the difference between the original carrying value of the loan (before modification) and the discounted present value of the revised cash flows (at the Original EIR) at the date of the loan modification.

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.



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 recognised through profit or loss - measured at fair value (Note 4.4.7 and 26)
- Financial assets at amortised cost
 - Financial assets at amortised cost - loans and advances (Note 27)
 - Financial assets at amortised cost - debt and other instruments (Note 4.4.8 and 28)

- Financial assets measured at fair value through Other Comprehensive Income (Note 4.4.9 and 29)

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 41)
 - Financial liabilities at amortised cost – other borrowings and subordinated liabilities (Note 42 and 48)

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.

However, as per ‘Guidance Notes on Accounting Considerations of the COVID-19 Outbreak’ issued by CA Sri Lanka, for overdrafts and working capital loans offered at a concessionary rate of 4% to the borrower, which were again funded to the Bank at 1% interest rate under the government refinance scheme; the interest rate of 4% for that special product was considered as applicable market rate resulting in no fair value adjustments. Accordingly, no “Day One” impact arose in case of such working capital loans and overdrafts.

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).

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“Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In contrast, contractual terms that introduce a more than de minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. In such cases, the financial asset is required to be measured at fair value through profit or 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 recognised through profit or loss - measured at fair value

Items recognised through profit or loss comprise - measured at fair value.

- Items held for trading purpose;
- Items specifically designated as fair value through profit or loss on initial recognition; and
- Debt instruments with contractual terms that do not represent solely payments of principal and interest.

Financial instruments held at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in the Statement of Profit or Loss as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the Statement of Profit or Loss as they arise.

Where a financial asset is measured at fair value, a credit valuation adjustment is included to reflect the credit worthiness of the counterparty, representing the movement in fair value attributable to changes in credit risk.

4.4.7.1 Financial instruments held for trading purpose

A financial instrument is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or forms part of a portfolio of financial instruments that are managed together and

for which there is evidence of short-term profit taking, or it is a derivative not in a qualifying hedge relationship.

Trading derivatives and trading securities are classified as held for trading and recognised at fair value in the Statement of Financial Position. Changes in fair value are recognised in “Net gains/ (losses) from trading” (Note 10) and “Net fair value gains/ (losses) from financial instruments at fair value through profit or loss” (Note 11). Interest income from financial instruments held for trading is recorded under “Net interest income” (Note 8) while dividend income is recorded in “Net gains/ (losses) from trading” (Note 10) when the right to payment has been established.

4.4.7.2 Financial instruments designated and measured at fair value through profit or loss

Upon initial recognition, financial instruments may be designated and measured at fair value through profit or loss. A financial asset may only be designated at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e. eliminates an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities on a different basis.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch or:

- If a host contract contains one or more embedded derivatives; or

- If financial assets and liabilities are both managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

As of 31 December 2020, 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 do 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

Notes to the Financial Statements

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 income	Amortised cost	The cumulative gain or loss previously recognised in Other Comprehensive Income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.
Fair value through other comprehensive income	Fair value through profit or loss	The fair value of the financial asset at the reclassification date becomes its new carrying amount. The cumulative gain or loss previously recognised in Other Comprehensive Income is reclassified from equity to Profit or Loss as a reclassification adjustment at the reclassification date.
Amortised cost	Fair value through profit or loss	Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value at the reclassification date is recognised in Profit or Loss.
Amortised cost	Fair value through other comprehensive income	Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value at the reclassification date is recognised in Other Comprehensive Income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

4.4.11 Impairment of Financial Assets

The Group applies a three-stage approach in measuring Expected Credit Loss (ECL) for the following categories of financial assets that are not measured at fair value through profit or loss:

- Debt instruments measured at amortised cost
- Loan commitments; and
- Financial guarantee contracts.

No ECL is recognised on equity investments.

The Group performs an assessment at the end of each Reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on this process financial assets migrate through the following three stages based on the change in credit risk since initial recognition:

4.4.11.1 Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised. The Bank determines 12 months ECL from customers whom are not significantly credit deteriorated.

4.4.11.2 Stage 2: Lifetime ECL

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

4.4.11.3 Stage 3: Lifetime ECL

Exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

4.4.11.4 Calculation of ECL

The Group calculates ECL based on a three probability weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the Effective Interest Rate (EIR). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations of the Group are outlined below and the key elements are, as follows:

- **Probability of Default (PD)**
PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously recognised and is still in the portfolio.

The concept of PDs is further explained in Note 27.

- **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 27.

- **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 27.

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.

Notes to the Financial Statements

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 No. 4 and 5 of 2020, dated 24 March 2020 and 27 March 2020 respectively instructing banks to offer a debt moratorium to COVID - 19 affected segments of the economy. According to the above circulars, banks were required to 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. In this regard, banks were required to charge interest at a reduced rate of 7% per annum during the moratorium period for equated monthly instalments (EMI) loans.

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 recognise the moratorium eligible loans at the original EIR of the loans while recognising 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- "Net interest income" to the financial statements.

Further, with the view of meeting the challenges faced by businesses and individuals due to the second wave of COVID-19, CBSL directed banks to extend

the debt moratorium to such businesses and individuals for a further period of six months commencing from 1 October 2020 to 31 March 2021. Licensed banks shall convert the capital and interest falling due during the moratorium period commencing from 1 October 2020 to 31 March 2021 into a term loan of which repayment shall commence from 1 April 2021. 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 second 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 into stage 2 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.

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 17.

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% (2019- 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.

4.8.3 Nation Building Tax (NBT) on Financial Services

In accordance with Nation Building Tax (NBT) Act No. 9 of 2009, the Bank calculated and paid NBT on financial services at 2% of the value addition used for

Notes to the Financial Statements

the purpose of VAT on Financial Services with effect from 1 January 2014. However, as per Nation Building Tax (Amendment) Act No. 3 of 2020 dated 12 October 2020, the Bank is exempt from NBT on Financial Services with effect from 1 December 2019.

4.8.4 Withholding Tax (WHT) on Dividends

- Withholding tax on dividends distributed by the Bank.
No withholding tax is paid by the Bank, since Bank distributes dividend to its sole shareholder, the Government of Sri Lanka.

- Withholding tax on dividends distributed by the Subsidiaries and Associates.
Dividend distributed out of taxable profit of the Subsidiaries and Associate companies attracts a 14% deduction at source over the year 2019.

As per the Notice dated 18 February 2020 published by the Department of Inland Revenue for the proposed changes to Inland Revenue Act No. 24 of 2017 (Subject to pending formal amendments being made to the Act) requirement to deduct WHT on dividends has been removed with effect from 1 January 2020.

4.8.5 Economic Service Charge (ESC)

As per provisions of the Economic Service Charge (ESC) Act No.13 of 2006 and amendments thereafter, ESC is payable at 0.5% on Bank's liable turnover and is deductible from income tax payable. As per Economic Service

Charge (Amendment) Act No. 4 of 2020 dated 12 October 2020, ESC was abolished with effect from 1 January 2020.

4.8.6 Crop Insurance Levy (CIL)

As per the provisions of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1 April 2013 and is payable 1% of the profit after tax to the National Insurance Trust Fund Board.

4.8.7 Debt Repayment Levy (DRL) on Financial Services

As per the Finance Act No. 35 of 2018, DRL shall be charged from every financial institution with effect from 1 October 2018. DRL is calculated at the rate of 7% on the value addition attributable to the financial services. As per Finance (Amendment) Act No. 2 of 2020 dated 12 October 2020, DRL was abolished with effect from 1 January 2020.

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 expired or when the contract is transferred to another party.

5.2 Insurance Receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Profit or Loss.

5.3 Deferred Expenses

5.3.1 Deferred Acquisition Costs (DAC)

The costs of acquiring new businesses including commission, underwriting, marketing and policy issue expenses which vary with and directly related to production of new businesses and/ or investment contracts with Discretionary Participation Features (DPF), are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, DAC for general insurance is amortised over the period on the basis unearned premium is amortised. The reinsurances' share of deferred acquisition cost is amortised in the same manner as the underlying assets amortisation is recorded in the Statement of Profit or Loss. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation period and are treated as a change in an accounting estimate. DAC are derecognised when the related contracts are either expired or cancelled.

5.4 Reinsurance Commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortised over the period of reinsurance.

5.5 Investment Contract Liabilities

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities. Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, investment contract liabilities are measured at fair value through profit or loss.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the Statement of Financial Position. Fair value adjustments are performed at each Reporting date and are recognised in the Statement of Profit or Loss. Fair value is determined through the use of prospective discounted cash flow techniques. For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit linked fund multiplied by the unit price of those funds at the Reporting date. The fund assets and fund liabilities used to determine the unit prices at the Reporting date are valued on a basis consistent with their measurement basis in the Statement of Financial Position adjusted to take account of the effect on the liabilities of the deferred tax on unrealised gains on assets in the fund. Non-utilised contracts are subsequently carried at fair value, which is determined by using valuation techniques such as discounted cash flows and stochastic modelling. Models are validated, calibrated and periodically reviewed by an independent qualified person.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value. When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance.

5.6 Discretionary Participation Features (DPF)

A DPF is a contractual right that gives holders of these contracts the right to receive as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio. Under the terms of the contract, surpluses in the DPF funds can be distributed to policyholders and shareholders on a 90/10 basis. The Group has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at annually are held within insurance or investment contract liabilities as appropriate.

5.7 Unearned Premium Reserve

Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 1/24th basis.

6. New and Amended Standards and Interpretations

There were no new accounting standards issued by the Institute of Chartered Accountants of Sri Lanka during the year ended 31 December 2020.

6.1 Amended Standards

The amendments to the following existing Sri Lanka Accounting Standard which were effective from 1 January 2020 did not have a material impact on the Consolidated/ Separate Financial Statements of the Group/ Bank.

Notes to the Financial Statements

6.1.1 Amendments to SLFRS

16-“Leases” - COVID-19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

6.2 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 2020. Accordingly, these Accounting Standard has not been applied in the preparation of the Financial Statements for the year ended 31 December 2020.

We have identified following Standard where this applies to the Group and further details are set out below:

6.2.1 SLFRS 17- Insurance Contracts

SLFRS 17-“ Insurance Contracts” establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of SLFRS 17 –“ Insurance Contracts” is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of Financial Statements to assess the effect that insurance contracts have on the entity’s financial position, financial performance and cash flows. SLFRS 17-“ Insurance Contracts” is effective for annual periods beginning on or after 1 January 2021. The Group is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 17-“ Insurance Contracts”.

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	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Interest income [Note 8.1]	226,310,574	220,477,174	231,454,401	227,377,777
Fee and commission income [Note 9.1]	14,261,148	14,569,762	14,500,865	14,969,583
Net gains/ (losses) from trading [Note 10]	2,627,620	2,535,301	2,643,463	2,555,256
Net fair value gains/ (losses) from financial instruments at fair value through profit or loss [Note 11]	928,234	321,789	991,525	342,807
Net gains/ (losses) from derecognition of financial assets [Note 12]	482,684	282,260	492,996	292,812
Net other operating income [Note 13]	2,553,705	930,183	2,672,780	3,153,768
Total income	247,163,965	239,116,469	252,756,030	248,692,003

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.

Notes to the Financial Statements

8.1 Interest Income

For the year ended 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	998,297	984,150	1,104,948	1,168,656
Placements with banks	264,079	549,861	341,480	641,499
Securities purchased under resale agreements	613,353	491,036	599,915	486,962
Financial assets recognised through profit or loss measured at fair value	337,585	294,037	337,585	294,037
Financial assets at amortised cost				
loans and advances	172,506,556	170,572,859	177,029,199	176,725,561
debt and other instruments	50,874,778	46,773,089	51,302,458	47,185,250
Financial assets measured at fair value through OCI	715,926	812,142	738,816	875,812
Total Interest Income	226,310,574	220,477,174	231,454,401	227,377,777

Interest income on loans and advances includes interest on credit impaired loans and advances amounting to LKR 2,293.0 million for the year 2020 (2019 : LKR 2,187.1 million).

Interest income from loans and advances to customers includes modifications made to loans due to moratorium/ debt concessionary schemes implemented by the Government/ Bank as a measure to support the recovery of businesses/ customers affected by COVID-19 pandemic.

8.2 Interest Expenses

For the year ended 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Due to banks	154,034	162,570	160,201	170,339
Securities sold under repurchase agreements	2,386,874	3,890,110	2,449,284	3,956,887
Financial liabilities at amortised cost				
due to depositors	135,390,986	126,713,262	137,572,201	129,191,484
other borrowings	7,166,906	8,451,186	7,340,219	9,223,430
Debt securities issued	-	-	294,789	446,363
Subordinated liabilities	6,435,908	6,113,568	6,434,466	6,094,388
Total interest expenses	151,534,708	145,330,696	154,251,160	149,082,891
Net interest income	74,775,866	75,146,478	77,203,241	78,294,886

8.3 Net Interest Income from Sri Lanka Government Securities

For the year ended 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Interest income	38,741,348	36,832,733	38,934,513	37,199,435
Less : Interest expenses	2,386,874	3,890,110	2,449,284	3,956,887
Net interest income from Sri Lanka Government securities	36,354,474	32,942,623	36,485,229	33,242,548

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	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Trade services	1,604,137	1,781,009	1,718,299	1,967,366
Debit and credit cards	3,783,023	4,305,216	3,783,023	4,305,216
Travel and remittances services	1,207,299	1,424,935	1,207,299	1,424,935
Custodial services	59,218	61,208	59,218	61,208
Retail banking services	5,891,181	5,023,688	5,954,065	5,078,683
Guarantees and related services	1,037,534	1,396,682	1,038,645	1,397,939
Other financial services	678,756	577,024	740,316	734,236
Total fee and commission income	14,261,148	14,569,762	14,500,865	14,969,583

9.2 Fee and Commission Expense

For the year ended 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Debit and credit cards	1,762,276	1,997,621	1,762,276	1,997,621
Travel and remittances services	107,430	128,299	107,430	128,299
Retail banking services	391,934	304,893	395,979	306,102
Guarantees and related services	12,675	15,009	12,675	15,009
Other financial services	27,742	27,133	45,768	65,175
Total fee and commission Expenses	2,302,057	2,472,955	2,324,128	2,512,206
Net fee and commission income	11,959,091	12,096,807	12,176,737	12,457,377

Notes to the Financial Statements

10 Net Gains/ (Losses) From Trading

Accounting Policy

Net gains/ (losses) from trading comprises foreign exchange gains or losses arising from trading activities, gains/ (losses) arising from changes in fair value of derivative financial instruments, dividend income from trading equities.

Dividend income is recognised when the Group's right to receive the dividend is established.

	Bank		Group	
For the year ended 31 December	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Foreign exchange				
From banks	(44)	4,197	18,118	16,441
From other customers	2,554,641	2,434,795	2,552,100	2,441,723
Equities				
Dividend income	73,023	96,309	73,245	97,092
Net gains/ (losses) from trading	2,627,620	2,535,301	2,643,463	2,555,256

11 Net Fair Value Gains/ (Losses) from Financial Instruments at Fair Value Through Profit or Loss

Accounting Policy

Net gains/ (losses) on financial instruments at fair value through profit or loss includes unrealised gains or losses from investment in equities and debt instruments classified at fair value through profit or loss due to changes in fair value of such instruments.

	Bank		Group	
For the year ended 31 December	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Gains/ (Losses) on marked to market valuation of				
Fixed income securities	1,995	20,247	58,106	35,112
Equities	606,973	112,717	611,935	116,621
Unit Trust	319,266	188,825	321,484	191,074
Net gains/ (losses) on financial assets at fair value through profit or loss	928,234	321,789	991,525	342,807

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.

	Bank		Group	
For the year ended 31 December	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Recognised at:				
Fair value through profit or loss	130,746	70,413	141,058	80,965
Amortised cost	-	-	-	-
Fair value through other comprehensive income	351,938	211,847	351,938	211,847
Net gains/ (losses) from Derecognition of Financial Assets	482,684	282,260	492,996	292,812

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 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	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Dividend income from Financial assets measured at fair value through OCI	330,328	313,937	330,713	348,398
Dividend income from subsidiaries and associates	434,475	345,585	-	-
Dividend income from units in unit trust	-	-	818	-
Gains/ (Losses) on revaluation of foreign exchange	1,325,123	(401,604)	1,325,123	(401,604)
Gains/ (Losses) on sale of Property, Plant and Equipment	(8,934)	63,171	(9,498)	63,761
Gains/ (Losses) on sale of foreclosed properties	7,919	60,109	7,919	60,109
Rental income	254,681	234,219	305,118	286,581
Service income	-	-	179,263	249,902
Profit from sale of gold bullion	6,030	8,421	6,030	8,421
Miscellaneous income	90,061	95,364	278,706	2,142,322
Gross insurance premium	-	-	134,566	184,897
Net income from Islamic banking [Note 13.1]	114,022	210,981	114,022	210,981
Net other operating income	2,553,705	930,183	2,672,780	3,153,768

Notes to the Financial Statements

13.1 Net Income from Islamic Banking

For the year ended 31 December	Bank/ Group	
	2020	2019
	LKR '000	LKR '000
Income from Islamic banking operations	200,293	368,577
Less : Profit paid to investors	86,271	157,596
Net income from Islamic banking	114,022	210,981

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 27). 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			
	2020				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents [Note 21.2]	(2,268)	-	-	(2,268)	(738)	-	-	(738)
Placements with banks [Note 23.2]	(40,462)	-	-	(40,462)	(38,862)	-	-	(38,862)
Financial assets measured at amortised cost - loans and advances [Note 27.2]	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 28.3]	3,317,804	-	2,102	3,319,906	3,331,144	-	2,102	3,333,246
Other losses [Note 33.2]	-	-	-	-	-	-	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

For the year ended 31 December	Bank				Group			
	2019				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents [Note 21.2]	6,424	-	-	6,424	6,430	-	-	6,430
Placements with banks [Note 23.2]	17,548	-	-	17,548	17,871	-	-	17,871
Financial assets measured at amortised cost - loans and advances [Note 27.2]	(3,135,377)	45,356	21,274,717	18,184,696	(3,268,464)	(31,134)	21,574,416	18,274,818
Financial assets measured at amortised cost - debt instruments [Note 28.3]	389,057	-	-	389,057	420,124	-	-	420,124
Impairment Charge/ (Reversal) for Loans and Other Losses	(2,722,348)	45,356	21,274,717	18,597,725	(2,824,039)	(31,134)	21,574,416	18,719,243

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	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Staff emoluments	15,015,594	16,204,133	16,581,052	17,608,278
Contributions to defined contribution plans [Note 15.1]	1,371,430	1,323,889	1,532,416	1,467,500
Contributions to defined benefit plans [Note 15.2]	1,116,293	(244,156)	1,194,127	(125,914)
Other personnel expenses	687,163	1,081,163	743,017	1,263,218
Total personnel expenses	18,190,480	18,365,029	20,050,612	20,213,082

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.

Notes to the Financial Statements

	Bank		Group	
For the year ended 31 December	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Employers' contribution to:				
Bank of Ceylon/ Employees' Provident Fund	1,098,814	1,060,906	1,228,306	1,176,229
Employees' Trust Fund	272,616	262,983	304,110	291,271
Total contributions to defined contribution plans	1,371,430	1,323,889	1,532,416	1,467,500

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 47).

	Bank		Group	
For the year ended 31 December	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Net expenses recognised in the profit or loss				
Bank of Ceylon Pension Trust Fund [Note 47.1.1]	1,660,671	711,713	1,660,671	711,713
Bank of Ceylon Widows' / Widowers' and Orphans' Pension Fund [Note 47.2.1]	(1,048,419)	(1,274,952)	(1,048,419)	(1,274,952)
Terminal gratuity [Note 47.3]	81,196	66,517	151,220	133,491
Bank of Ceylon Pension Fund - 2014 [Note 47.4.1]	362,080	193,561	362,080	193,561
Provision for encashment of medical leave [Note 47.5]	60,765	59,005	60,765	59,005
Pension fund - Bank of Ceylon (UK) Limited	-	-	7,810	51,268
Total contributions to defined benefit plans	1,116,293	(244,156)	1,194,127	(125,914)

16 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 preceeding Audited Financial Statements.

Reinsurance Premium, Claims and Other Benefits

Gross benefits and claims for life insurance contracts and for investment contracts with Discretionary Participation Features (DPF) include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts, as well as changes in the gross valuation of insurance and investment contract liabilities with DPF. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Interim payments and surrenders are accounted at the time of settlement.

General insurance include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct and inward reinsurance business. The liability covers claims reported but not yet paid, Incurred But Not Reported (IBNR) claims and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of IBNR is actuarially valued on an annual basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the Financial Statements for that period. The methods used and the estimates made are reviewed regularly.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

For the year ended 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Directors' emoluments	4,000	4,713	8,340	12,339
Auditors' remuneration				
Audit fees	16,411	16,253	45,047	42,163
Non-audit fees	-	-	785	866
Deposit insurance premium	2,049,569	1,672,955	2,080,568	1,704,381
Professional and legal expenses	121,916	132,322	185,859	237,064
Net revaluation loss on lands and buildings	69,897	-	59,383	15,988
Fixed assets maintenance expenses	3,609,067	3,685,515	3,244,078	3,189,155
Reinsurance premium, claims and other benefits	-	-	210,901	145,015
Office administration and establishment expenses	4,768,805	4,928,451	6,245,097	7,564,535
Total other expenses	10,639,665	10,440,209	12,080,058	12,911,506

Notes to the Financial Statements

17 Taxes

17.1 Taxes on Financial Services

Taxes on financial services includes Value Added Tax (VAT) calculated based on the value addition made on financial services.

Nation Building Tax (NBT) on Financial Services is abolished with effect from 1 December 2019

Debt Repayment Levy (DRL) which was introduced in 1 October 2018 at a rate of 7% was abolished in 1 January 2020.

For the year ended 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Value Added Tax	5,458,468	6,146,875	5,463,182	6,340,851
Nation Building Tax	-	731,281	-	753,870
Debt Repayment Levy	-	3,642,468	-	3,755,828
Total taxes on financial services	5,458,468	10,520,624	5,463,182	10,850,549

17.2 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 provision of the land Revenue Act No. 10 of 2006 and amendments thereto up to 31 March 2018 and with effect from 1 April 2018 inland Revenue Act No. 24 of 2017. As required by the Sri Lanka Accounting Standard - LKAS 12 on "Income Taxes", the effective tax rates and a reconciliation between the profit before tax and tax expense is given in 17.2.1.

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 36.

17.2.1 Components of Income Tax Expense

For the year ended 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Current tax expense				
Income tax on current year profit	8,041,055	8,036,222	8,340,141	8,384,633
Adjustments in respect of prior years	459,793	(759,266)	308,902	43,920
Deferred tax expense				
Charge/ (Reversal) of deferred tax expense [Note 36]	(2,714,099)	(689,764)	(2,710,296)	(1,500,319)
Total income tax expense for the year	5,786,749	6,587,192	5,938,747	6,928,234

17.2.2 Reconciliation of Accounting Profit and Income Tax Expense

For the year ended 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Accounting profit before income tax	23,551,881	29,685,227	22,246,153	30,675,569
Add : Dividend income from subsidiaries and associates	-	-	434,475	345,585
	23,551,881	29,685,227	22,680,628	31,021,154
Add : Disallowable expenses	46,798,491	29,077,534	49,595,056	29,697,265
	70,350,372	58,762,761	72,275,684	60,718,419
Less: Allowable expenses	27,911,252	19,216,232	28,712,032	19,995,650
Less: Tax exempt income	13,607,503	11,304,111	13,607,503	11,304,111
Taxable income	28,831,617	28,242,418	29,956,149	29,418,658
Taxable income at the Normal Rate	28,011,080	28,242,418	29,135,005	29,418,658
Taxable income at the Special Rate	820,537	-	821,144	-
Current tax at rate of 28% (2019- 28%)	7,843,102	7,907,877	8,157,801	8,237,224
Tax on Dividend Received at rate of 14% (2019 - 28%)	114,875	-	114,960	-
Effect of different tax rates in the Group	-	-	(15,698)	7,648
Effect of different tax rates in other countries	83,078	128,345	83,078	128,345
10% withholding tax on inter company dividends	-	-	-	11,416
Adjustment in respect of prior years	459,793	(759,266)	308,902	43,920
Charge/ (Reversal) of deferred tax [Note 36]	(2,714,099)	(689,764)	(2,710,296)	(1,500,319)
Income tax expense for the year	5,786,749	6,587,192	5,938,747	6,928,234
The effective income tax rate (%)	24.6%	22.2%	26.7%	22.6%

Amendments Proposed to Income Tax from Government Tax Proposals

In terms of the notice dated 8 April 2020 issued by the Inland Revenue Department on “Implementation of Proposed Changes to the Inland Revenue Act No. 24 of 2017”, effective from 1 January 2020;

- Exemption announced as per the aforementioned notice on interest income from Sri Lanka Development Bonds, effective from 1 April 2018 was availed by the Bank.

17.2.3 The Tax Liabilities of Resident Companies are Computed at the Standard Rate of 28% (2019 : 28%) Except following Bank Operations and Companies which Enjoy Full or Partial Exemptions and Concessions.

For the year ended 31 December	2020	2019
	%	%
Tax rates applicable on local operations		
Hotels Colombo (1963) Limited	14.00	14.00
Ceybank Holiday Homes (Private) Limited	14.00	12.00
Koladeniya Hydropower (Private) Limited	20.00	20.00

Notes to the Financial Statements

For the year ended 31 December	2020	2019
	%	%
Tax rates applicable on foreign operations		
Banking operations in Male	25.00	25.00
Banking operations in Chennai	43.94	40.00
Banking operations 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 Koladeniya Hydropower (Private) Limited is subject to 28%.

In accordance with the agreement with the Board of Investment of Sri Lanka (BOI), Koladeniya Hydropower (Private) Limited is entitled to a tax exemption period of five years from the year in which the company commences to make profits or not later than two years from the date of commencement of commercial operations, whichever is earlier as may be specified in a certificate issued by the the Board of Investment. The tax holiday ended on 31 December 2016.

After the tax exemption period, the company will be liable to tax on its trading profit at a concessionary rate of 10% for 2 years and at 20% thereafter.

- Corporate Income Tax rate was revised from 28% to 24%, subject to pending legal enactment and formal amendments being made to the Inland Revenue Act. Therefore, the income tax rate revision was not considered in computing the income tax liabilities.

18 Share of Profits/ (Losses) of Associate Companies, Net of Tax

The aggregate of the Group's share of profit or losses of associates is shown in the Statement of Profit or Loss under the equity method of accounting .

	Group	
For the year ended 31 December	2020	2019
	LKR '000	LKR '000
Ceybank Asset Management Limited	52,620	22,863
Lanka Securities (Private) Limited	9,746	(11,169)
Transnational Lanka Records Solutions (Private) Limited	20,122	36,493
Total share of profits/ (losses) of associate companies, net of tax	82,488	48,187

19 Earnings Per Share and Dividend Per Share

19.1 Basic Earnings Per Share

In accordance with the Sri Lanka Accounting Standard - LKAS 33 "Earnings Per Share", basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank (the numerator) by the weighted average number of ordinary shares in issue (the denominator) during the year.

	Bank		Group	
For the year ended 31 December	2020	2019	2020	2019
Profit attributable to ordinary shareholder of the Bank (LKR '000)	17,765,132	23,098,035	16,842,514	23,452,040
Weighted average number of ordinary shares in issue [Note 19.1.1]	25,000,000	23,767,123	25,000,000	23,767,123
Basic earnings per share (LKR)	710.61	971.85	673.70	986.74

19.1.1 Weighted Average Number of Ordinary Shares in Issue

	Bank		Group	
For the year ended 31 December	2020	2019	2020	2019
Number of ordinary shares in issue as at 1 January	25,000,000	20,000,000	25,000,000	20,000,000
Weighted average number of ordinary shares issued during the year	-	3,767,123	-	3,767,123
Weighted average number of ordinary shares in issue as at 31 December	25,000,000	23,767,123	25,000,000	23,767,123

19.2 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	
For the year ended 31 December	2020	2019	2020	2019
Profit attributable to ordinary shareholders of the Bank (LKR '000)	17,765,132	23,098,035	16,842,514	23,452,040
Weighted average number of ordinary shares after adjusting for dilution [Note 19.2.1]	25,000,000	25,000,000	25,000,000	25,000,000
Diluted earnings per share (LKR)	710.61	923.92	673.70	938.08

Notes to the Financial Statements

19.2.1 Weighted Average Number of Ordinary Shares after Adjusting for Dilution

For the year ended 31 December	Bank		Group	
	2020	2019	2020	2019
Weighted average number of ordinary shares in issue	25,000,000	23,767,123	25,000,000	23,767,123
Weighted average number of potential ordinary shares under pending allotment during the year	-	1,232,877	-	1,232,877
Weighted average number of ordinary shares after adjusting for dilution	25,000,000	25,000,000	25,000,000	25,000,000

19.3 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	
	2020	2019	2020	2019
Total dividend allocated to shareholder during the year (LKR '000)	1,596,410	346,410	1,596,410	346,410
Weighted average number of ordinary shares in issue [Note 19.1.1]	25,000,000	23,767,123	25,000,000	23,767,123
Dividend per share (LKR)	63.86	14.58	63.86	14.58

20 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"

20.1 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

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	-	2,402,043	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

As at 31 December	2019			
	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	-	-	64,868,895	64,868,895
Balances with Central Banks	-	-	54,594,436	54,594,436
Placements with banks	-	-	44,476,343	44,476,343
Securities purchased under resale agreements	-	-	2,179,449	2,179,449
Derivative financial instruments	132,090	-	-	132,090
Loans and advances	-	-	1,549,804,871	1,549,804,871
Debt instruments	7,459,263	9,670,131	572,747,809	589,877,203
Equity Instruments	2,596,152	4,565,959	-	7,162,111
Total financial assets	10,187,505	14,236,090	2,288,671,803	2,313,095,398

As at 31 December	2019		
	Fair value through profit or loss	Amortised cost	Total
	LKR '000	LKR '000	LKR '000
Financial liabilities			
Due to banks	-	2,669,407	2,669,407
Securities sold under repurchase agreements	-	34,183,210	34,183,210
Derivative financial instruments	106,677	-	106,677
Financial liabilities at amortised cost			
- due to depositors	-	2,005,211,794	2,005,211,794
- other borrowings	-	137,833,543	137,833,543
Subordinated liabilities	-	54,221,552	54,221,552
Total financial liabilities	106,677	2,234,119,506	2,234,226,183

Notes to the Financial Statements

20.2 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

As at 31 December	2019			
	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	-	-	64,829,735	64,829,735
Balances with Central Banks	-	-	54,594,436	54,594,436
Placements with banks	-	-	47,911,621	47,911,621
Securities purchased under resale agreements	-	-	3,981,886	3,981,886
Derivative financial instruments	132,090	-	-	132,090
Loans and advances	-	-	1,580,949,025	1,580,949,025
Debt instruments	8,194,713	11,540,703	573,977,330	593,712,746
Equity instruments	2,858,056	5,475,850	-	8,333,906
Total financial assets	11,184,859	17,016,553	2,326,244,033	2,354,445,445

As at 31 December	2019		
	Fair value through profit or loss	Amortised cost	Total
	LKR '000	LKR '000	LKR '000

Financial liabilities

Due to banks	-	2,932,950	2,932,950
Securities sold under repurchase agreements	-	34,880,507	34,880,507
Derivative financial instruments	106,677	-	106,677
Financial liabilities at amortised cost			
- due to depositors	-	2,025,204,033	2,025,204,033
- other borrowings	-	145,095,262	145,095,262
Debt securities issued	-	2,107,810	2,107,810
Subordinated liabilities	-	54,211,542	54,211,542
Total financial liabilities	106,677	2,264,432,104	2,264,538,781

Notes to the Financial Statements

21 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.

There were no cash and cash equivalents held by the Group that were not available for use by the Group.

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Local currency in hand	41,282,531	43,871,910	41,453,241	44,042,654
Foreign currency in hand	1,711,282	2,660,722	1,727,928	2,673,027
Balances with banks	38,127,468	14,581,681	38,346,228	14,358,252
Money at call and at short notice	3,306,611	3,768,118	1,683,861	3,769,353
Gross cash and cash equivalents	84,427,892	64,882,431	83,211,258	64,843,286
Less - Accumulated impairment [Note 21.2]	11,268	13,536	12,813	13,551
Net cash and cash equivalents	84,416,624	64,868,895	83,198,445	64,829,735

21.1 Analysis of Cash and Cash Equivalents Based on Exposure to Credit Risk

As at 31 December	Bank				
	2020				2019
	Stage 1	Stage 2	Stage 3	Total	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balances with banks	38,127,468	-	-	38,127,468	14,581,681
Money at call and at short notice	3,306,611	-	-	3,306,611	3,768,118
	41,434,079	-	-	41,434,079	18,349,799
Less - Accumulated impairment	11,268	-	-	11,268	13,536
Net cash equivalents	41,422,811	-	-	41,422,811	18,336,263

As at 31 December	Group				
	2020				2019
	Stage 1	Stage 2	Stage 3	Total	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balances with banks	38,346,228	-	-	38,346,228	14,358,252
Money at call and at short notice	1,683,861	-	-	1,683,861	3,769,353
	40,030,089	-	-	40,030,089	18,127,605
Less - Accumulated impairment	12,813	-	-	12,813	13,551
Net cash equivalents	40,017,276	-	-	40,017,276	18,114,054

21.2 Movement in Provision for Impairment During the Year

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Movement in Stage 1 Impairment				
Balance as at 1 January	13,536	7,112	13,551	7,121
Charge/ (Write back) to the income statement	(2,268)	6,424	(738)	6,430
Balance as at 31 December	11,268	13,536	12,813	13,551

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Movement in Total Impairment				
Balance as at 1 January	13,536	7,112	13,551	7,121
Charge/ (Write back) to the income statement	(2,268)	6,424	(738)	6,430
Balance as at 31 December	11,268	13,536	12,813	13,551

22 Balances with Central Banks

Accounting Policy

Balances with Central Banks are carried at amortised cost in the Statement of Financial Position.

	Bank		Group	
As at 31 December	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Statutory balances with central banks				
Central bank of Sri Lanka	27,264,328	48,334,353	27,264,328	48,334,353
Other Central Banks	6,087,524	6,260,083	6,087,524	6,260,083
Total balances with central banks	33,351,852	54,594,436	33,351,852	54,594,436

22.1 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 2020 was 2.0% (2019 : 5.0%) 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 (2019 : Nil).

22.2 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 2020 was 3.0% on its demand and term deposit liabilities. (2019 : 4.0%)

22.3 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 7.5% 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. (2019 : 10.0% for Maldives in Maldivian Rufiyaa and United States Dollar separately).

Notes to the Financial Statements

22.4 Central Bank of Seychelles (CBS)

In accordance with the regulations of Central Bank of Seychelles, the branch in Seychelles is required to maintain a reserve deposit based on 13.0% of the branch's commercial deposits liabilities to the public in Seychelles. (2019 : 13.0%).

23 Placements with Banks

Accounting Policy

"Placements with banks" includes 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.

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Within Sri Lanka	186,246	182,660	486,389	1,660,163
Outside Sri Lanka	27,429,999	44,334,539	27,429,975	46,292,715
Gross placements with banks	27,616,245	44,517,199	27,916,364	47,952,878
Less - Accumulated impairment [Note 23.2]	394	40,856	2,395	41,257
Net placements with banks	27,615,851	44,476,343	27,913,969	47,911,621

23.1 Analysis of Placements with Banks Based on Exposure to Credit Risk

Bank

As at 31 December	2020			2019	
	Stage 1	Stage 2	Stage 3	Total	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Within Sri Lanka	186,246	-	-	186,246	182,660
Outside Sri Lanka	27,429,999	-	-	27,429,999	44,334,539
	27,616,245	-	-	27,616,245	44,517,199
Less - Accumulated impairment	394	-	-	394	40,856
Net placements with banks	27,615,851	-	-	27,615,851	44,476,343

Group

As at 31 December	2020				2019
	Stage 1	Stage 2	Stage 3	Total	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Within Sri Lanka	486,389	-	-	486,389	1,660,163
Outside Sri Lanka	27,429,975	-	-	27,429,975	46,292,715
	27,916,364	-	-	27,916,364	47,952,878
Less - Accumulated impairment	2,395	-	-	2,395	41,257
Net placements with banks	27,913,969	-	-	27,913,969	47,911,621

23.2 Movement in Provision for Impairment During the Year

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Movement in Stage 1 Impairment				
Balance as at 1 January	40,856	23,308	41,257	23,386
Charge/ (Reversal) during the year	(40,462)	17,548	(38,862)	17,871
Balance as at 31 December	394	40,856	2,395	41,257

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Movement in Total Impairment				
Balance as at 1 January	40,856	23,308	41,257	23,386
Charge/ (Reversal) during the year	(40,462)	17,548	(38,862)	17,871
Balance as at 31 December	394	40,856	2,395	41,257

Notes to the Financial Statements

24 Securities Purchased Under Resale Agreements

Accounting Policy

Securities purchased under resale agreements (Reverse Repos) are purchase of securities with the 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" and is amortise over the life of the agreement.

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
With Banks	-	2,179,449	329,488	2,805,597
With Customers	2,001,047	-	3,492,824	1,176,289
Total securities purchased under resale agreements	2,001,047	2,179,449	3,822,312	3,981,886

25 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.

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Foreign currency derivatives				
Forward exchange contracts	38,532	7,977	38,532	7,977
Currency SWAPs	510,394	124,113	510,394	124,113
Total derivative financial instruments	548,926	132,090	548,926	132,090

26 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	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Measured at fair value				
Sri Lanka Government Securities				
Treasury bills	3,622,937	4,636,846	3,623,301	4,636,846
Treasury bonds	29,553	29,806	775,231	721,341
Quoted equities [Note 26.2]	3,091,853	2,596,152	3,304,477	2,858,056
Quoted Debt Securities [Note 26.3]	-	-	1,750	1,600
Units in unit trusts [Note 26.4]	3,111,877	2,792,611	3,164,712	2,834,926
Financial Assets Recognised through Profit or Loss	9,856,220	10,055,415	10,869,471	11,052,769

26.1 By Currency

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Sri Lankan Rupee	9,856,220	10,055,415	10,869,471	11,052,769
Total	9,856,220	10,055,415	10,869,471	11,052,769

Notes to the Financial Statements

26.2 Quoted Equities

26.2.1 Sector Wise Composition of Quoted Equities

As at 31 December Sector	2020			2019		
	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 26.2.2]						
Automobiles and Components	14,627	17,130	0.6	75,060	50,404	2.0
Banks	14,167	7,890	0.3	14,167	10,741	0.4
Capital Goods	1,790,370	1,346,195	43.5	1,693,108	1,056,436	40.7
Consumer Durables and Apparel	71,519	57,078	1.8	67,215	41,716	1.6
Consumer Services	718,233	292,389	9.5	719,581	276,992	10.7
Diversified Financials	105,871	46,882	1.5	105,871	32,826	1.3
Energy	160,897	83,962	2.7	147,442	48,104	1.9
Food and Staples Retailing	275,800	306,901	9.9	275,800	289,091	11.1
Food, Beverage and Tobacco	562,601	381,516	12.3	604,131	356,065	13.7
Health Care Equipment and Services	46,737	45,984	1.5	30,545	18,615	0.7
Materials	328,894	241,333	7.8	536,262	240,051	9.2
Real Estate	24,786	13,792	0.4	24,786	15,325	0.6
Retailing	211,495	138,804	4.5	203,460	88,485	3.4
Telecommunication Services	24,615	24,866	0.8	7,496	6,827	0.3
Transportation	11,840	14,500	0.5	15,964	8,753	0.3
Utilities	79,736	72,631	2.4	72,863	55,721	2.2
Quoted Equity Bank	4,442,188	3,091,853	100.0	4,593,751	2,596,152	100.0
Group [Note 26.2.3]						
Automobiles and Components	14,627	17,130	0.5	84,083	56,108	2.0
Banks	141,324	82,887	2.5	140,824	96,913	3.4
Capital Goods	1,835,702	1,381,528	41.8	1,752,020	1,099,360	38.5
Consumer Durables and Apparel	71,519	57,078	1.7	69,182	43,623	1.5
Consumer Services	784,022	325,977	9.9	780,882	312,433	10.9
Diversified Financials	137,194	69,044	2.1	136,712	53,835	1.9
Energy	161,568	84,612	2.6	151,493	51,595	1.8
Food and Staples Retailing	275,800	306,901	9.3	276,127	289,411	10.1
Food, Beverage and Tobacco	597,809	404,462	12.2	643,950	378,390	13.2
Health Care Equipment and Services	46,737	45,984	1.4	32,982	20,873	0.7
Household and Personal Products	-	-	-	1,205	1,220	0.0
Insurance	4,347	3,743	0.1	5,907	5,818	0.2
Materials	331,276	243,709	7.4	545,777	248,397	8.7
Real Estate	30,199	19,051	0.6	44,960	31,712	1.1
Retailing	216,326	143,248	4.3	204,644	89,588	3.1
Telecommunication Services	24,615	24,866	0.8	7,496	6,827	0.2
Transportation	11,840	14,500	0.4	15,964	8,753	0.3
Utilities	84,261	79,757	2.4	78,533	63,200	2.4
Quoted Equity Group	4,769,166	3,304,477	100.0	4,972,741	2,858,056	100.0

26.2.2 Quoted Equities- Bank

As at 31 December	Bank							
	2020				2019			
	No. of ordinary shares	Cost of investment	Market price per share	Market value	No. of ordinary shares	Cost of investment	Market price per share	Market value
		LKR '000	LKR	LKR '000		LKR '000	LKR	LKR '000
Automobiles and Components								
Kelani Tyres PLC	198,032	14,627	86.50	17,130	1,016,213	75,060	49.60	50,404
Total of Automobiles and Components Sector		14,627		17,130		75,060		50,404
Banks								
Hatton National Bank PLC	62,374	14,167	126.50	7,890	62,374	14,167	172.20	10,741
Total of Bank Sector		14,167		7,890		14,167		10,741
Capital Goods								
Access Engineering PLC	2,342,578	57,040	24.60	57,627	-	-	-	-
ACL Cables PLC	191,306	12,887	76.60	14,654	362,363	16,217	57.50	20,836
Aitken Spence PLC	2,921,230	317,952	57.80	168,847	2,596,230	360,512	46.50	120,725
Brown and Company PLC	809,616	133,026	105.20	85,172	809,616	133,026	72.90	59,021
Colombo Dockyard PLC	897,625	201,955	85.30	76,567	897,625	201,955	62.00	55,653
Hayleys PLC	-	-	-	-	68,097	21,556	174.90	11,910
John Keells Holdings PLC	3,999,657	680,945	149.60	598,349	3,299,657	575,620	167.60	553,023
Lanka Tiles PLC	1,238,981	163,758	143.80	178,165	1,023,200	134,249	76.70	78,479
Lankem Ceylon PLC	72,400	32,703	32.50	2,353	72,400	32,703	25.50	1,846
Renuka Holdings PLC	1,211,821	39,639	15.00	18,177	1,454,654	44,249	19.30	28,075
Richard Pieris and Company PLC	3,439,225	45,260	14.90	51,244	6,889,225	90,662	11.80	81,293
Royal Ceramics Lanka PLC	109,927	17,160	177.10	19,468	-	-	-	-
Sierra Cables PLC	-	-	-	-	329,525	1,090	3.30	1,087
The Colombo Fort Land and Building PLC	149,500	10,307	12.90	1,929	149,500	10,307	13.40	2,003
Vallibel One PLC	2,832,421	77,738	26.00	73,643	2,427,704	70,962	17.50	42,485
Total of Capital Goods Sector		1,790,370		1,346,195		1,693,108		1,056,436
Consumer Durables and Apparel								
Abans PLC	-	-	-	-	196,305	26,807	95.70	18,786
Ambeon Holdings PLC	385,000	23,271	20.70	7,970	385,000	23,271	12.90	4,967
Hayleys Fabric PLC	295,880	7,268	27.80	8,225	971,398	14,569	17.90	17,388
Orient Garments PLC	-	-	-	-	82,150	2,568	7.00	575
Teejay Lanka PLC	1,075,872	40,980	38.00	40,883	-	-	-	-
Total of Consumer Durables and Apparel Sector		71,519		57,078		67,215		41,716

Notes to the Financial Statements

As at 31 December	Bank							
	2020				2019			
	No. of ordinary shares	Cost of investment	Market price per share	Market value	No. of ordinary shares	Cost of investment	Market price per share	Market value
		LKR '000	LKR	LKR '000		LKR '000	LKR	LKR '000
Consumer Services								
Aitken Spence Hotel Holdings PLC	2,547,424	232,670	32.30	82,282	2,547,424	232,670	27.10	69,035
Amaya Leisure PLC	593,120	53,020	42.00	24,911	593,120	53,020	36.70	21,768
Asian Hotels and Properties PLC	2,367,741	225,781	42.90	101,576	2,367,741	225,781	40.50	95,894
Citrus Leisure PLC	100,000	10,112	10.40	1,040	100,000	10,112	12.10	1,210
Eden Hotel Lanka PLC	775,550	41,864	11.50	8,919	775,550	41,864	18.40	14,270
Galadari Hotels (Lanka) PLC	-	-	-	-	37,280	566	9.10	339
Jetwing Symphony PLC	179,627	2,694	9.60	1,724	179,627	2,694	11.30	2,030
John Keells Hotels PLC	893,487	14,553	11.00	9,828	893,487	14,553	11.60	10,364
Marawila Resorts PLC	-	-	-	-	100,000	782	2.00	200
Taj Lanka Hotels PLC	447,400	30,043	16.90	7,561	447,400	30,043	14.40	6,443
Tangerine Beach Hotels PLC	50,000	5,056	46.30	2,315	50,000	5,056	40.00	2,000
The Fortress Resorts PLC	1,461,100	50,506	12.40	18,118	1,461,100	50,506	11.80	17,241
The Kingsbury PLC	224,170	3,527	11.90	2,668	224,170	3,527	13.10	2,937
Trans Asia Hotels PLC	477,200	48,407	65.90	31,447	477,200	48,407	69.70	33,261
Total of Consumer Services Sector		718,233		292,389		719,581		276,992
Diversified Financials								
Ceylon Guardian Investment Trust PLC	107,847	32,747	127.30	13,729	107,847	32,747	91.30	9,846
Ceylon Investment PLC	446,206	73,124	74.30	33,153	446,206	73,124	51.50	22,980
Total of Diversified Financials Sector		105,871		46,882		105,871		32,826
Energy								
Lanka IOC PLC	694,235	18,143	22.40	15,551	-	-	-	-
Laugfs Gas PLC - Voting	-	-	-	-	168,727	4,688	17.50	2,953
Laugfs Gas PLC - Non-voting	3,420,538	142,754	20.00	68,411	3,420,538	142,754	13.20	45,151
Total of Energy Sector		160,897		83,962		147,442		48,104
Food and Staples Retailing								
Cargills (Ceylon) PLC	1,484,124	267,267	205.00	304,245	1,484,124	267,267	193.00	286,435
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		275,800		306,901		275,800		289,091

As at 31 December	Bank							
	2020				2019			
	No. of ordinary shares	Cost of investment	Market price per share	Market value	No. of ordinary shares	Cost of investment	Market price per share	Market value
	LKR '000	LKR	LKR '000		LKR '000	LKR	LKR '000	
Food, Beverage and Tobacco								
Agalawatte Plantations PLC	37,588	3,798	28.10	1,056	45,600	4,608	15.10	689
Bairaha Farms PLC	279,597	49,375	140.50	39,283	119,942	31,789	112.00	13,434
Balangoda Plantations PLC	27,063	1,970	16.10	436	30,000	2,184	12.00	360
Bukit Darah PLC	119,257	83,965	349.30	41,656	119,257	83,965	230.10	27,441
Carson Cumberbatch PLC	313,352	141,328	278.80	87,363	313,352	141,328	190.00	59,537
Ceylon Cold Stores PLC	24,439	16,027	704.60	17,220	-	-	-	-
Ceylon Tobacco Company PLC	143,175	137,098	1,028.90	147,313	143,177	137,100	1,100.30	157,538
Ceylon Grain Elevators PLC	-	-	-	-	612,498	60,754	68.50	41,956
Horana Plantations PLC	513,000	43,752	22.40	11,491	513,000	43,752	21.90	11,235
HVA Foods PLC	-	-	-	-	20,000	905	3.90	78
Kahawatte Plantations PLC	756,484	30,600	31.00	23,451	756,484	30,600	36.50	27,612
Kegalle Plantations PLC	50,600	13,703	89.00	4,503	50,600	13,703	59.50	3,011
Kotagala Plantations PLC	729,997	34,709	9.00	6,570	729,997	34,709	7.20	5,256
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
Namunukula Plantations PLC	-	-	-	-	80,000	12,458	84.30	6,744
Total of Food, Beverage and Tobacco Sector		562,601		381,516		604,131		356,065
Health Care Equipment and Services								
Asiri Hospital Holdings PLC	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	4,000,000	10,000	1.50	6,000
The Lanka Hospital Corporation PLC	309,949	20,545	53.40	16,551	309,949	20,545	40.70	12,615
Total of Health Care Equipment and Services Sector		46,737		45,984		30,545		18,615
Materials								
ACME Printing and Packaging PLC	614,700	19,957	5.10	3,135	1,078,700	35,020	4.90	5,286
Chemanex PLC	100,000	16,685	90.50	9,050	100,000	16,685	58.50	5,850
Chevron Lubricants Lanka PLC	837,966	117,579	108.00	90,500	979,440	165,861	74.90	73,360
CIC Holdings PLC - Voting	442,165	71,309	182.30	80,607	770,657	124,284	60.00	46,239
CIC Holdings PLC - Non voting	-	-	-	-	416,189	40,011	47.60	19,811
Dipped Products PLC	25,000	8,068	347.30	8,683	-	-	-	-

Notes to the Financial Statements

As at 31 December	Bank							
	2020				2019			
	No. of ordinary shares	Cost of investment	Market price per share	Market value	No. of ordinary shares	Cost of investment	Market price per share	Market value
		LKR '000	LKR	LKR '000		LKR '000	LKR	LKR '000
Haycarb PLC	-	-	-	-	251,067	48,262	190.00	47,703
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	3,288,600	32,322	4.50	14,799
Swisstek (Ceylon) PLC	100,000	9,712	96.80	9,680	170,956	10,241	51.70	8,838
Total of Materials Sector		328,894		241,333		536,262		240,051
Real Estate								
Overseas Realty (Ceylon) PLC	957,794	24,786	14.40	13,792	957,794	24,786	16.00	15,325
Total of Real Estate Sector		24,786		13,792		24,786		15,325
Retailing								
C M Holdings PLC	50,857	17,422	78.50	3,992	50,857	17,422	79.00	4,018
C. W. Mackie PLC	25,815	1,355	48.00	1,239	25,815	1,355	45.00	1,162
Diesel and Motor Engineering PLC	77,935	84,514	618.20	48,179	77,935	84,514	320.00	24,939
Hunters and Company PLC	27,100	21,923	748.50	20,284	27,100	21,923	399.90	10,837
John Keells PLC	250,200	22,759	61.50	15,387	250,200	22,759	49.00	12,260
Odel PLC	222,295	9,325	21.10	4,690	222,295	9,325	26.00	5,780
Sathosa Motors PLC	13,195	5,111	271.60	3,584	13,195	5,111	303.70	4,007
United Motors Lanka PLC	524,677	49,086	79.00	41,449	404,478	41,051	63.00	25,482
Total of Retailing Sector		211,495		138,804		203,460		88,485
Telecommunication Services								
Dialog Axiata PLC	1,427,200	17,119	12.40	17,697	-	-	-	-
Sri Lanka Telecom PLC	214,000	7,496	33.50	7,169	214,000	7,496	31.90	6,827
Total of Telecommunication Services Sector		24,615		24,866		7,496		6,827
Transportation								
Expolanka Holdings PLC	500,000	11,840	29.00	14,500	1,716,193	15,964	5.10	8,753
Total of Transportation Sector		11,840		14,500		15,964		8,753
Utilities								
Laugfs Power PLC - Non -voting	1,297,831	-	7.40	9,604	1,547,831	-	4.00	6,191
Lotus Hydro Power PLC	-	-	-	-	173,194	1,427	6.00	1,039
LVL Energy Fund PLC	648,100	6,481	10.20	6,611	648,100	6,481	7.50	4,861
Panasian Power PLC	1,029,200	6,407	4.10	4,220	1,029,200	6,407	3.20	3,293
Resus Energy PLC	1,445,397	52,878	27.00	39,026	1,445,397	52,878	25.00	36,135
Vallibel Power Erathna PLC	1,667,050	13,970	7.90	13,170	667,050	5,670	6.30	4,202
Total of Utilities Sector		79,736		72,631		72,863		55,721
Total quoted equities		4,442,188		3,091,853		4,593,751		2,596,152

26.2.3 Quoted Equities - Group

As at 31 December	Group							
	2020				2019			
	No. of ordinary shares	Cost of investment	Market price per share	Market value	No. of ordinary shares	Cost of investment	Market price per share	Market value
		LKR '000	LKR	LKR '000		LKR '000	LKR	LKR '000
Automobiles and Components								
Kelani Tyres PLC	198,032	14,627	86.50	17,130	1,131,213	84,083	49.60	56,108
Total of Automobiles and Components Sector		14,627		17,130		84,083		56,108
Banks								
Commercial Bank of Ceylon PLC - Voting	15,597	1,759	80.90	1,262	15,241	1,759	95.00	1,448
Commercial Bank of Ceylon PLC - Non-voting	55,597	5,410	70.10	3,897	54,194	5,410	83.00	4,498
DFCC Bank PLC	120,713	24,535	65.30	7,883	120,000	24,535	91.90	11,028
Hatton National Bank PLC - Voting	62,374	14,167	126.50	7,890	62,374	14,167	172.20	10,741
Hatton National Bank PLC - Non-voting	10,457	1,820	100.60	1,052	10,191	1,820	135.50	1,381
National Development Bank PLC	109,918	19,255	78.10	8,585	104,798	19,255	100.00	10,480
Nations Trust Bank PLC	209,949	19,546	60.00	12,597	209,949	19,546	80.00	16,796
Pan Asia Banking Corporation PLC	80,000	1,341	13.00	1,040	80,000	1,341	12.80	1,024
Sanasa Development Bank PLC	101,270	9,258	58.10	5,884	93,368	9,258	63.90	5,966
Seylan Bank PLC - Voting	207,144	16,528	46.00	9,529	192,917	16,028	52.50	10,128
Seylan Bank PLC - Non-voting	512,299	20,949	34.00	17,418	496,240	20,949	33.80	16,773
Union Bank of Colombo PLC	500,000	6,756	11.70	5,850	500,000	6,756	13.30	6,650
Total of Banks Sector		141,324		82,887		140,824		96,913
Capital Goods								
Access Engineering PLC	2,367,578	57,667	24.60	58,242	-	-	-	-
ACL Cables PLC	191,306	12,887	76.60	14,654	362,363	16,217	57.50	20,836
Aitken Spence PLC	3,031,230	329,063	57.80	175,205	2,706,230	371,623	46.50	125,840
Brown and Company PLC	839,616	135,257	105.20	88,328	922,116	141,367	72.90	67,222
Colombo Dockyard PLC	897,625	201,955	85.30	76,567	897,625	201,955	62.00	55,653
Hayleys PLC	-	-	-	-	68,097	21,556	174.90	11,910
Hemas Holdings PLC	-	-	-	-	30,000	2,537	80.00	2,400
John Keells Holdings PLC	4,031,028	685,894	149.60	603,042	3,321,028	578,964	167.60	556,604
Kelani Cables PLC	15,000	1,776	116.50	1,748	-	-	-	-
Lanka Tiles PLC	1,238,981	163,758	143.80	178,165	1,023,200	134,249	76.70	78,479
Lanka Walltiles PLC	-	-	-	-	14,659	1,048	72.50	1,063
Lankem Ceylon PLC	72,400	32,703	32.50	2,353	72,400	32,703	25.50	1,846

Notes to the Financial Statements

As at 31 December	Group							
	2020				2019			
	No. of ordinary shares	Cost of investment	Market price per share	Market value	No. of ordinary shares	Cost of investment	Market price per share	Market value
		LKR '000	LKR	LKR '000		LKR '000	LKR	LKR '000
MTD Walkers PLC	165,000	6,751	14.80	2,442	165,000	6,751	14.80	2,442
Renuka Holdings PLC	1,218,121	39,811	15.00	18,272	1,454,654	44,249	19.30	28,075
Richard Pieris and Company PLC	3,539,225	46,860	14.90	52,734	6,889,225	90,662	11.80	81,293
Royal Ceramics Lanka PLC	134,927	20,182	177.10	23,896	87,000	10,557	88.50	7,700
Sierra Cables PLC	-	-	-	-	1,829,525	7,120	3.30	6,037
Softlogic Holdings PLC	525,000	7,751	12.40	6,510	350,000	5,763	15.90	5,565
The Colombo Fort Land and Building PLC	290,000	12,853	12.90	3,741	230,000	12,077	13.40	3,082
Unisyst Engineering PLC	117,500	2,796	16.90	1,986	60,000	1,660	13.80	828
Vallibel One PLC	2,832,421	77,738	26.00	73,643	2,427,704	70,962	17.50	42,485
Total of Capital Goods Sector		1,835,702		1,381,528		1,752,020		1,099,360
Consumer Durables and Apparel								
Abans	-	-	-	-	201,303	27,308	95.70	19,265
Ambeon Capital	-	-	-	-	250,000	1,283	5.00	1,250
Ambeon Holdings PLC	385,000	23,271	20.70	7,970	385,000	23,271	12.90	4,967
Hayleys Fabric PLC	295,880	7,268	27.80	8,225	971,398	14,569	17.90	17,388
Hayleys Fibre PLC	-	-	-	-	1,931	183	92.00	178
Orient Garments PLC	-	-	-	-	82,150	2,568	7.00	575
Teejay Lanka PLC	1,075,872	40,980	38.00	40,883	-	-	-	-
Total of Consumer Durables and Apparel Sector		71,519		57,078		69,182		43,623
Consumer Services								
Aitken Spence Hotel Holdings PLC	2,610,641	238,449	32.30	84,324	2,610,641	238,449	27.10	70,748
Amaya Leisure PLC	609,553	53,918	42.00	25,601	609,553	53,918	36.70	22,371
Asian Hotels and Properties PLC	2,367,741	225,781	42.90	101,576	2,382,741	226,443	40.50	96,501
Citrus Leisure PLC	100,000	10,112	10.40	1,040	100,000	10,112	12.10	1,210
Dolphin Hotels PLC	15,000	442	26.40	396	-	-	-	-
Eden Hotel Lanka PLC	903,293	45,541	11.50	10,388	804,265	40,548	18.40	14,798
Galadari Hotels (Lanka) PLC	-	-	-	-	37,280	566	9.10	339
Jetwing Symphony PLC	179,627	2,694	9.60	1,724	179,627	2,694	11.30	2,030
John Keells Hotels PLC	893,487	14,553	11.00	9,828	1,118,487	17,108	11.60	12,974
Marawila Resorts PLC	-	-	-	-	100,000	782	2.00	200
Palm Garden Hotels PLC	147,472	10,890	27.00	3,982	147,472	10,890	27.10	3,996
Taj Lanka Hotels PLC	447,400	30,043	16.90	7,561	447,400	30,043	14.40	6,443
Tangerine Beach Hotels PLC	50,000	5,056	46.30	2,315	50,000	5,056	40.00	2,000
The Fortress Resorts PLC	1,461,100	50,506	12.40	18,118	1,461,100	50,506	11.80	17,241

As at 31 December	Group							
	2020				2019			
	No. of ordinary shares	Cost of investment	Market price per share	Market value	No. of ordinary shares	Cost of investment	Market price per share	Market value
	LKR '000		LKR	LKR '000		LKR '000	LKR	LKR '000
The Kingsbury PLC	2,161,893	45,360	11.90	25,727	2,161,893	45,360	13.10	28,321
Trans Asia Hotels PLC	477,200	48,407	65.90	31,447	477,200	48,407	69.70	33,261
Waskaduwa Beach Resort PLC	500,000	2,270	3.90	1,950	-	-	-	-
Total of Consumer Services Sector		784,022		325,977		780,882		312,433
Diversified Financials								
Alliance Finance Company PLC	5,000	280	53.50	268	5,000	280	51.40	257
Asia Asset Finance PLC	349,999	3,803	9.10	3,185	113,928	1,623	8.80	1,003
Asia Capital PLC	50,443	393	6.70	338	-	-	-	-
Central Finance Company PLC	52,199	6,291	83.00	4,333	51,483	6,291	104.00	5,354
Ceylon Guardian Investment Trust PLC	107,847	32,747	127.30	13,729	107,847	32,747	91.30	9,846
Ceylon Investment PLC	513,180	79,535	74.30	38,129	511,930	79,535	51.50	26,364
Citizens Development Business Finance PLC - Non-voting	9,543	824	65.00	620	9,543	824	67.50	644
Commercial Credit and Finance PLC	22,500	1,498	25.00	563	22,500	1,498	29.50	664
Dunamis Capital PLC	-	-	-	-	21,390	1,060	46.61	997
First Capital Holdings PLC	-	-	-	-	37,500	1,953	40.40	1,515
Guardian Capital Partners PLC	18,472	1,006	35.00	647	18,472	1,006	29.99	554
LOLC Finance PLC	285,000	1,083	3.60	1,026	225,101	849	3.90	878
LOLC Holdings PLC	7,500	1,043	135.00	1,013	-	-	-	-
Orient Finance PLC	275,000	3,467	11.80	3,245	175,000	2,466	11.90	2,083
Renuka Capital PLC	-	-	-	-	418,500	1,972	3.70	1,549
Softlogic Finance PLC	67,215	3,532	11.70	786	67,215	3,532	16.70	1,122
Sinhaputhra Finance PLC	242,000	1,692	4.80	1,162	150,000	1,076	6.70	1,005
Total of Diversified Financials Sector		137,194		69,044		136,712		53,835
Energy								
Lanka IOC PLC	694,235	18,143	22.40	15,551	-	-	-	-
Laugfs Gas PLC - Voting	-	-	-	-	343,727	8,068	17.50	6,015
Laugfs Gas PLC - Non voting	3,453,038	143,425	20.00	69,061	3,453,038	143,425	13.20	45,580
Total of Energy Sector		161,568		84,612		151,493		51,595
Food and Staples Retailing								
Cargills (Ceylon) PLC	1,484,124	267,267	205.00	304,245	1,485,775	267,594	193.00	286,755
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		275,800		306,901		276,127		289,411

Notes to the Financial Statements

As at 31 December	Group							
	2020				2019			
	No. of ordinary shares	Cost of investment	Market price per share	Market value	No. of ordinary shares	Cost of investment	Market price per share	Market value
	LKR '000	LKR	LKR '000	LKR	LKR '000	LKR	LKR '000	LKR
Food, Beverage and Tobacco								
Agalawatte Plantations PLC	37,588	3,798	28.10	1,056	45,600	4,608	15.10	689
Bairaha Farms PLC	312,097	54,237	140.50	43,850	144,942	35,751	112.00	16,234
Balangoda Plantations PLC	27,063	1,970	16.10	436	30,000	2,184	12.00	360
Bukit Darah PLC	119,257	83,965	349.30	41,656	119,257	83,965	230.10	27,441
Browns Investments PLC	2,250,000	8,638	4.30	9,675	-	-	-	-
Carson Cumberbatch PLC	313,352	141,328	278.80	87,363	313,352	141,328	190.00	59,537
Ceylon Cold Stores PLC	24,439	16,027	704.60	17,220	-	-	-	-
Ceylon Tobacco Company PLC	143,175	137,098	1,028.90	147,313	143,177	137,100	1,100.30	157,538
Ceylon Grain Elevators PLC	-	-	-	-	637,508	62,445	68.50	43,669
Distilleries Company Of Sri Lanka PLC	-	-	-	-	55,000	1,048	18.51	1,018
Elpitiya Plantations PLC	-	-	-	-	60,000	1,704	18.90	1,134
Hatton Plantation PLC	-	-	-	-	50,000	425	6.90	345
Horana Plantations PLC	513,000	43,752	22.40	11,491	513,000	43,752	21.90	11,235
HVA Foods PLC	-	-	-	-	20,000	905	3.90	78
Kahawatte Plantations PLC	756,484	30,600	31.00	23,451	756,484	30,600	36.50	27,612
Keells Food Products PLC	39,058	6,240	140.00	5,468	39,058	6,240	122.51	4,785
Kegalle Plantations PLC	50,600	13,703	89.00	4,503	50,600	13,703	59.50	3,011
Kotagala Plantations PLC	729,997	34,709	9.00	6,570	729,997	34,709	7.20	5,256
Lankem Developments PLC	-	-	-	-	575,000	2,990	3.50	2,013
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	-	-	-	-	64,429	353	4.00	258
Malwatte Valley Plantations PLC - Non Voting	-	-	-	-	50,000	340	6.20	310
Melstacorp PLC	-	-	-	-	22,756	1,140	43.51	990
Namunukula Plantations PLC	-	-	-	-	80,000	12,458	84.30	6,744
Renuka Agri Foods PLC	100,000	510	4.70	470	-	-	-	-
Renuka Foods PLC	-	-	-	-	50,000	635	12.30	615
Sunshine Holdings PLC	-	-	-	-	65,211	3,756	47.00	3,065
Watawala Plantations PLC	-	-	-	-	19,725	577	26.01	513
Total of Food, Beverage and Tobacco Sector		597,809		404,462		643,950		378,390

As at 31 December	Group							
	2020				2019			
	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
Health Care Equipment and Services								
Asiri Hospital Holdings PLC	500,000	15,476	34.50	17,250	-	-	-	-
Durdans Hospital	-	-	-	-	5,000	500	78.00	390
Nawaloka Hospitals PLC	981,052	5,871	5.90	5,788	44,000	467	10.09	444
Singhe Hospital PLC	1,937,863	4,845	3.30	6,395	4,000,000	10,000	1.50	6,000
The Lanka Hospital Corporation PLC	309,949	20,545	53.40	16,551	344,949	22,015	40.70	14,039
Total of Health Care Equipment and Services Sector		46,737		45,984		32,982		20,873
Household and Personal Products								
BPPL Holding PLC	-	-	-	-	100,000	1,205	12.20	1,220
Total of Household and Personal Products Sector		-		-		1,205		1,220
Insurance								
Janashakthi Insurance Company PLC	82,500	2,683	30.00	2,475	135,000	4,467	32.50	4,388
Softlogic Capital PLC	325,000	1,664	3.90	1,268	225,000	1,240	5.50	1,238
Arpico Insurance PLC	-	-	-	-	10,000	200	19.20	192
Total of Insurance Sector		4,347		3,743		5,907		5,818
Materials								
ACME Printing and Packaging PLC	614,700	19,957	5.10	3,135	1,078,700	35,020	4.90	5,286
Alumex PLC	-	-	-	-	130,000	2,031	14.80	1,924
Chemanex PLC	100,000	16,685	90.50	9,050	100,000	16,685	58.50	5,850
Chevron Lubricants Lanka PLC	838,038	117,586	108.00	90,508	1,016,940	169,692	74.90	76,169
CIC Holdings PLC - Voting	442,165	71,309	182.30	80,607	770,657	124,284	60.00	46,239
CIC Holdings PLC - Non-voting	-	-	-	-	463,189	42,233	47.60	22,048
Dipped Products PLC	27,500	8,943	347.30	9,551	16,380	1,431	84.00	1,376
Haycarb PLC	-	-	-	-	251,067	48,262	190.00	47,703
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	3,288,600	32,322	4.50	14,799
Swisstek (Ceylon) PLC	100,000	9,712	96.80	9,680	170,956	10,241	51.70	8,838
Total of Materials Sector		331,276		243,709		545,777		248,397

Notes to the Financial Statements

As at 31 December	Group							
	2020				2019			
	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
Real Estate								
Cargo Boat Development Company PLC	-	-	-	-	9,984	899	53.49	534
City Housing and Real Estate CO. PLC	38,435	190	3.60	138	38,435	190	3.59	138
Colombo Land and Development Company PLC	2,700	96	24.30	66	2,700	96	25.93	70
Commercial Development Company PLC	-	-	-	-	4,649	451	79.16	368
East West Properties PLC	-	-	-	-	304,020	5,446	8.40	2,554
Lanka Realty Invesments PLC	-	-	-	-	750,000	9,841	12.90	9,675
Lee Hedges PLC	14,000	1,110	80.40	1,126	-	-	-	-
Millennium Housing Developers PLC	200,000	1,536	6.90	1,380	-	-	-	-
Overseas Realty (Ceylon) PLC	957,794	24,786	14.40	13,792	957,794	24,786	16.00	15,325
Property Development PLC	8,547	1,057	129.70	1,109	8,547	1,057	140.28	1,199
Seylan Developments PLC	100,000	1,424	14.40	1,440	160,750	2,194	11.50	1,849
Total of Real Estate Sector		30,199		19,051		44,960		31,712
Retailing								
C M Holdings PLC	50,857	17,422	78.50	3,992	50,857	17,422	79.00	4,018
C. W. Mackie PLC	44,795	2,304	48.00	2,150	25,812	1,355	45.00	1,162
Diesel and Motor Engineering PLC	77,935	84,514	618.20	48,179	77,935	84,514	320.00	24,939
Hunters and Company PLC	27,100	21,923	748.50	20,284	27,100	21,923	399.90	10,837
John Keells PLC	250,200	22,759	61.50	15,387	250,200	22,759	49.00	12,260
Odel PLC	222,295	9,325	21.10	4,690	222,295	9,325	26.00	5,780
R I L Property PLC	250,000	2,484	8.60	2,150	-	-	-	-
Sathosa Motors PLC	13,195	5,111	271.60	3,584	13,195	5,111	303.70	4,007
United Motors Lanka PLC	542,177	50,484	79.00	42,832	421,978	42,235	63.00	26,585
Total of Retailing Sector		216,326		143,248		204,644		89,588
Telecommunication Services								
Dialog Axiata PLC	1,427,200	17,119	12.40	17,697	-	-	-	-
Sri Lanka Telecom PLC	214,000	7,496	33.50	7,169	214,000	7,496	31.90	6,827
Total of Telecommunication Services Sector		24,615		24,866		7,496		6,827
Transportation								
Expolanka Holdings PLC	500,000	11,840	29.00	14,500	1,716,193	15,964	5.10	8,753
Total of Transportation Sector		11,840		14,500		15,964		8,753
Utilities								
Laugfs Power PLC - non voting	1,297,831	-	7.40	9,604	1,547,831	-	4.00	6,191

As at 31 December	Group							
	2020				2019			
	No. of ordinary shares	Cost of investment	Market price per share	Market value	No. of ordinary shares	Cost of investment	Market price per share	Market value
		LKR '000	LKR	LKR '000		LKR '000	LKR	LKR '000
Lotus Hydro Power PLC	75,000	819	10.60	795	173,194	1,427	6.00	1,039
LVL Energy Fund PLC	648,100	6,481	10.20	6,611	648,100	6,481	7.50	4,861
Panasian Power PLC	1,029,200	6,407	4.10	4,220	1,129,200	6,757	3.20	3,613
Resus Energy PLC	1,668,778	56,285	27.00	45,057	1,668,778	56,285	25.00	41,719
Vallibel Power Erathna PLC	1,667,050	13,970	7.90	13,170	917,050	7,583	6.30	5,777
Vidullanka PLC	50,000	299	6.00	300	-	-	-	-
Total of Utilities Sector		84,261		79,757		78,533		63,200
Total quoted equities		4,769,166		3,304,477		4,972,741		2,858,056

26.3 Quoted Debt Securities

As at 31 December	Group							
	2020				2019			
	No. of Debentures	Cost of investment	Market Price per Debenture	Market value	No. of Debentures	Cost of investment	Market price per Debenture	Market value
		LKR '000	LKR	LKR '000		LKR '000	LKR	LKR '000
Listed Debentures								
Hatton National Bank PLC	17,500	1,600	100.00	1,750	17,500	1,600	91.40	1,600
Total quoted debt securities		1,600		1,750		1,600		1,600

26.4 Units in Unit Trusts

As at 31 December	Group					
	2020			2019		
	No. of units	Cost of investment	Market Value	No. of units	Cost of investment	Market Value
		LKR '000	LKR '000		LKR '000	LKR '000
Bank						
Ceybank Unit Trust	111,307,627	1,738,215	2,558,962	111,307,627	1,738,215	2,321,877
Ceybank Century Growth Fund	7,539,256	132,952	552,854	7,539,256	132,952	470,676
Ceybank Surekum Gilt Edged Fund	4,921	50	61	4,921	50	58
Total units in unit trusts		1,871,217	3,111,877		1,871,217	2,792,611
Group						
Ceybank Unit Trust	111,307,627	1,738,215	2,558,962	111,307,627	1,738,215	2,321,877
Ceybank Century Growth Fund	7,539,256	132,952	552,854	7,539,256	132,952	470,676
Ceybank Surekum Gilt Edged Fund	4,921	50	61	4,921	50	58
Comtrust Money Market Fund	289,530	2,777	3,419	163,821	1,500	1,654
First Capital Asset Management Limited	29,387	40,778	49,416	25,932	29,350	40,661
Total units in unit trusts		1,914,772	3,164,712		1,902,067	2,834,926

Notes to the Financial Statements

27 Loans and Advances to Customers

Accounting Policy

Loans and advances include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss
- Those that the Bank, upon initial recognition, designates as fair value through OCI
- Those for which the Bank may not recover substantially all of its initial investment, other than due to credit deterioration

“Loans and advances” are initially measured at fair value and subsequently measured at amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in “Interest income” (Note 8.1) in the Statement of Profit or Loss. The losses arising from impairment are recognised in “Impairment charge/ (reversal) for loans and other losses” (Note 14) in the Statement of Profit or Loss.

Write-off of Loans and Receivables

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised. If a write-off is later recovered, the recovery is recognised in the “Net other operating income” (Note 13).

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 is 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 $ECL_{12} = \frac{EAD * PD_{12} * LGD * EFA_n}{(1 + EIR)^n}$

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Stage	Classification Criteria	ECL measurement
Stage 2	Includes financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, LTECLs are recognised. LTECLs are the expected credit losses that result from all possible default events over the remaining maturity period of the loan from the reporting date. Expected credit losses are the weighted average credit losses with the probability of default ("PD") as the weight.	Life time expected credit loss $ECL_{LT} = \sum_t \frac{EAD * PD_t * LGD * EFA_n}{(1 + EIR)} + \dots + \frac{EAD * PD_n * LGD * EFA_n}{(1 + EIR)^n}$
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%. $ECL_{LT} = EAD * 100\% * LGD$

Loan Commitments

When estimating ECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities, that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan and loan commitments.

Financial Guarantee Contracts

The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of profit or loss, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios.

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
- Average LTV
- Government policies, status of the industry and impact of regulatory changes etc.

Impairment Assessment

Definition of Default and Upgrade

The Bank considers a financial instrument defaulted and therefore assessed in Stage 3 (as credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments or the credit facility/ customer is classified as a non performing advance in accordance with CBSL directions.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Reduction/ downgrading of internal rating of the borrower indicating default or near-default
- Modifications of terms resulting in concessions, including extensions, deferment of payments, waiver of covenants (restructuring) due to repayment difficulties.
- The borrower having past due liabilities to other financial institutions
- Existing or forecast adverse changes in business operations including geographical locations or natural catastrophes, financial or economic condition that are expected to cause significant change in the borrower's ability to meet it's obligation
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's operating results or the loss of a major customer
- Customer is significantly subject to litigation, that seivourly affects the performance of the credit facility
- An Actual or expected significant adverse change in the regulatory, economic or technological environment of the borrower that result in a significant change in the borrower's ability to meet the debt obligation
- Significant changes such as reduction in financial support from a parent entity or other affiliate or an actual or expected reductions in borrowers economic incentives to make scheduled contractual payments
- Delay in the commencement of business operations/ projects by more than two years from the originally agreed date due to deteriorating the credit worthiness of the customer

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

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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 are carried out in accordance with the Banking Act Directions No. 3 and 4 of 2008 on “Classification of Loans and Advances, Income Recognition and Provisioning”.

Probability of Default Estimation Process

The Bank estimates the Probability of Default (PD) based on historical information with regard to delinquency of loans and advances. In this process historical information pertaining to 3-5 years have been used depending on the nature of the product

Exposure at Default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client’s ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan facilities, the Bank assesses the possible default events within 12 months in the calculation of the 12mECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time. PDs are then assigned to the EAD so derived.

Loss Given Default

The Bank segments its lending portfolio into homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The loss given default is estimated based on historically collected loss data.

Significant increase in credit risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considers an exposure to have significantly increased in credit risk when the borrower becomes 30 days past due from the contractual due date.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/ facility to the watch list, or reschedulement or restructure. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets, the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Grouping Financial Assets Measured on an Individual Basis/ Collective Basis

ECLs are calculated either on a collective or an individual basis, depends on the following factors.

The Bank calculates ECL on an individual basis for corporate and SME exposures above the threshold are identified as individually significant loans. All other exposures other than the above together with individually significant exposures not attracting an ISL provision are assessed for ECL on a collective basis. The Bank groups these exposures into smaller homogeneous portfolios, based on product types, sectors and customer segments.

27.1 Financial Assets at Amortised Cost - Loans and Advances

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Gross loans and advances	2,115,204,744	1,648,760,589	2,148,747,485	1,682,589,120
Stage 1	1,786,211,706	1,380,927,013	1,801,797,522	1,396,100,809
Stage 2	121,469,096	101,146,342	126,232,816	106,780,647
Stage 3	207,523,942	166,687,234	220,717,147	179,707,664
Less : Accumulated Provision for impairment under:	126,795,737	98,955,718	130,353,755	101,640,095
Stage 1 [Note 27.2]	11,640,862	6,954,029	11,846,679	7,087,327
Stage 2 [Note 27.2]	11,447,964	9,530,117	11,678,868	9,646,175
Stage 3 [Note 27.2]	103,706,911	82,471,572	106,828,208	84,906,593
Net loans and advances	1,988,409,007	1,549,804,871	2,018,393,730	1,580,949,025

27.1.1 Analysis of Gross Loans and Advances - by Product

As at 31 December	Bank					
	2020			2019		
	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	517,251,819	415,154,357	932,406,176	452,776,469	312,849,314	765,625,783
Loans under schemes	133,086,170	-	133,086,170	76,944,532	-	76,944,532
Housing loans	77,822,934	388,837	78,211,771	76,065,512	376,549	76,442,061
Trade finance	43,251,289	43,688,323	86,939,612	61,494,354	34,715,177	96,209,531
Personal loans	375,931,300	-	375,931,300	214,236,288	-	214,236,288
Overdrafts	309,022,965	31,029,463	340,052,428	237,239,577	33,887,024	271,126,601
Credit cards	5,397,818	-	5,397,818	5,037,574	-	5,037,574
Lease rental receivables [Note 27.4]	31,958,992	218,654	32,177,646	39,233,313	237,828	39,471,141
Pawning	74,853,575	-	74,853,575	69,089,836	-	69,089,836
Foreclosed properties	2,398,252	2,975	2,401,227	1,523,199	4,487	1,527,686
Staff loans	22,011,830	10,323	22,022,153	20,701,770	14,506	20,716,276
Others	27,925,566	3,799,302	31,724,868	9,618,713	2,714,567	12,333,280
Gross Loans and Advances	1,620,912,510	494,292,234	2,115,204,744	1,263,961,137	384,799,452	1,648,760,589

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As at 31 December	Group					
	2020			2019		
	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	518,944,638	418,450,922	937,395,560	459,252,616	314,743,458	773,996,074
Loans under schemes	133,404,786	-	133,404,786	77,930,003	-	77,930,003
Housing loans	79,253,538	388,837	79,642,375	77,960,039	376,549	78,336,588
Trade finance	44,212,949	44,136,273	88,349,222	61,719,233	35,120,389	96,839,622
Personal loans	377,281,078	-	377,281,078	215,814,602	-	215,814,602
Overdrafts	308,799,265	31,559,101	340,358,366	237,161,078	34,875,569	272,036,647
Credit cards	5,397,818	-	5,397,818	5,037,574	-	5,037,574
Lease rental receivables [Note 27.4]	50,977,005	218,654	51,195,659	56,081,004	237,828	56,318,832
Pawning	78,679,236	-	78,679,236	70,703,614	-	70,703,614
Foreclosed properties	2,398,252	2,975	2,401,227	1,523,199	4,487	1,527,686
Staff loans	22,904,576	12,714	22,917,290	21,690,284	24,314	21,714,598
Others	27,925,566	3,799,302	31,724,868	9,618,713	2,714,567	12,333,280
Gross Loans and Advances	1,650,178,707	498,568,778	2,148,747,485	1,294,491,959	388,097,161	1,682,589,120

27.1.2 Analysis of Gross Loans and Advances - by Currency

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Sri Lankan Rupees	1,620,912,510	1,263,961,137	1,650,178,707	1,294,491,959
United States Dollar	475,163,648	362,383,222	475,233,917	362,252,540
Great Britain Pound	600,674	321,229	4,806,948	3,749,621
Maldivian Rufiyaa	9,804,334	9,059,543	9,804,334	9,059,543
Euro	479,274	710,662	479,274	710,661
Indian Rupee	7,362,504	9,995,210	7,362,504	9,995,210
Seychellois Rupee	856,884	2,324,856	856,884	2,324,856
Others	24,916	4,730	24,917	4,730
Gross Loans and Advances	2,115,204,744	1,648,760,589	2,148,747,485	1,682,589,120

27.2 Movement in Provision for Impairment during the year

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Movement in Stage 1 Impairment				
Balance as at 1 January	6,954,029	10,091,396	7,087,327	10,437,278
Charge/ (Reversal) during the year	4,623,993	(3,135,377)	4,593,426	(3,268,464)
Amount recovered/ reversal during the year	-	-	-	-
Exchange rate variance on foreign currency impairment	62,840	(1,990)	62,840	(1,990)
Amount written-off during the year	-	-	-	-
Other movements	-	-	103,086	(79,497)
Balance as at 31 December	11,640,862	6,954,029	11,846,679	7,087,327

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Movement in Stage 2 Impairment				
Balance as at 1 January	9,530,117	10,140,798	9,646,175	10,383,179
Charge/ (Reversal) during the year	1,997,984	45,356	2,040,650	(31,134)
Amount recovered/ reversal during the year	-	-	-	-
Exchange rate variance on foreign currency impairment	(80,137)	7,009	(80,136)	7,009
Amount written-off during the year	-	(93,842)	-	(93,842)
Other movements	-	(569,204)	72,179	(619,037)
Balance as at 31 December	11,447,964	9,530,117	11,678,868	9,646,175

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Movement in Stage 3 Impairment				
Balance as at 1 January	82,471,572	61,194,703	84,906,593	62,916,441
Charge/ (Reversal) during the year	29,773,712	27,304,614	30,463,279	27,604,313
Amount recovered/ reversal during the year	(8,440,687)	(6,029,897)	(8,440,687)	(6,029,897)
Exchange rate variance on foreign currency impairment	(97,686)	2,152	(97,687)	2,152
Amount written-off during the year	(1,001)	-	(3,826)	-
Other movements	1,001	-	536	413,584
Balance as at 31 December	103,706,911	82,471,572	106,828,208	84,906,593

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Movement in Total Impairment				
Balance as at 1 January	98,955,718	81,426,897	101,640,095	83,736,898
Charge/ (Reversal) during the year	36,395,689	24,214,593	37,097,355	24,304,715
Amount recovered/ reversal during the year	(8,440,687)	(6,029,897)	(8,440,687)	(6,029,897)
Exchange rate variance on foreign currency impairment	(114,983)	7,171	(114,983)	7,171
Amount written-off during the year	(1,001)	(93,842)	(3,826)	(93,842)
Other movements	1,001	(569,204)	175,801	(284,950)
Balance as at 31 December	126,795,737	98,955,718	130,353,755	101,640,095

27.3 Sensitivity Factors Used to Calculate Impairment Provision

Sensitivity		Sensitivity Effect on Impairment Provisions	
		2020	2019
		LKR '000	LKR '000
Change in Loss Given Default (LGD)	1%	3,775,248	3,308,449
	-1%	(3,775,248)	(3,308,449)
Change in Economic Factor Adjustment (EFA)	Worst case degrades by 5%	341,875.11	266,811
	Worst case upgrades by 5%	(150,327.87)	(117,321)
Change in Deemed Closed Period	Advanced by one year	2,518,712	1,087,073
	Deferred by one year	(1,686,708)	(691,047)

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27.4 Lease Rentals Receivable

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. Lease receivables are collectively assessed for impairment to the Financial Statements.

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Gross lease rental receivables				
Whithin one year	16,980,108	19,515,078	23,466,599	19,515,078
One to five years	21,151,596	28,107,784	31,754,262	48,183,942
More than five years	185,895	217,022	185,895	217,022
	38,317,599	47,839,884	55,406,756	67,916,042
Less : Unearned finance income	6,139,953	8,368,743	4,211,097	11,597,210
Gross lease rental receivables	32,177,646	39,471,141	51,195,659	56,318,832
Less : Provision for impairment losses	1,378,431	951,025	3,191,120	2,205,989
Net lease rental receivables	30,799,215	38,520,116	48,004,539	54,112,843

28 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	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Government securities				
Treasury bills	33,058,567	86,244,210	33,058,567	86,259,781
Treasury bonds	466,475,250	264,122,853	466,476,769	264,124,367
Sri Lanka sovereign bonds	48,511,983	27,554,926	48,781,611	27,760,406
Sri Lanka Development Bonds [Note 28.4]	154,162,902	171,518,741	154,162,902	171,882,799
Government of Sri Lanka Restructuring Bonds [Note 28.5]	8,968,474	8,968,474	8,968,474	8,968,474
Debentures [Note 28.6]	4,121,521	6,157,124	4,121,521	6,157,124
Trust certificates [Note 28.7]	153,384	338,826	153,384	338,826
Government securities - In Maldives	14,431,928	10,016,586	14,431,928	10,016,586
Corporate bonds	-	-	686,390	596,692
Other Investments	-	-	278,617	79,607
Gross financial assets at amortised cost - debt and other instruments	729,884,009	574,921,740	731,120,163	576,184,662
Less : Accumulated impairment [Note 28.3]	5,493,837	2,173,931	5,540,578	2,207,332
Net financial assets at amortised cost - debt and other instruments	724,390,172	572,747,809	725,579,585	573,977,330

28.1 Analysis of Financial Assets at Amortised Cost - Debt and Other Instruments By Currency

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Sri Lankan Rupee	512,777,196	365,831,487	511,850,577	365,848,572
United States Dollar	203,881,640	199,073,667	204,151,268	199,643,205
Great Britain Pound	-	-	686,390	676,299
Maldivian Rufiyaa	13,225,173	10,016,586	14,431,928	10,016,586
Total	729,884,009	574,921,740	731,120,163	576,184,662

28.2 Analysis of Financial Assets at Amortised Cost - Debt and Other Instruments based on Exposure to Credit Risk

As at 31 December	Bank				
	2020				2019
	Stage 1	Stage 2	Stage 3	Total	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Sri Lanka sovereign bonds	48,511,983	-	-	48,511,983	27,554,926
Sri Lanka Development Bonds	154,162,902	-	-	154,162,902	171,518,741
Debentures	4,093,207	-	28,314	4,121,521	6,157,124
Trust certificates	153,384	-	-	153,384	338,826
Government securities - In Maldives	14,431,928	-	-	14,431,928	10,016,586
	221,353,404	-	28,314	221,381,718	215,586,203
Less : Accumulated impairment	5,465,523	-	28,314	5,493,837	2,173,931
Total	215,887,881	-	-	215,887,881	213,412,272

	Group				
As at 31 December	2020				2019
	Stage 1	Stage 2	Stage 3	Total	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Sri Lanka sovereign bonds	48,781,611	-	-	48,781,611	27,760,406
Sri Lanka Development Bonds	154,162,902	-	-	154,162,902	171,882,799
Debentures	4,093,207	-	28,314	4,121,521	6,157,124
Trust certificates	153,384	-	-	153,384	338,826
Government securities - In Maldives	14,431,928	-	-	14,431,928	10,016,586
Corporate bonds	686,390	-	-	686,390	596,692
Other investments	278,617	-	-	278,617	79,607
	222,588,039	-	28,314	222,616,353	216,832,040
Less : Accumulated impairment	5,512,264	-	28,314	5,540,578	2,207,332
Total	217,075,775	-	-	217,075,775	214,624,708

Notes to the Financial Statements

28.3 Movement in Provision for Impairment During the Year

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Movement in Stage 1 Impairment				
Balance as at 1 January	2,147,719	1,758,662	2,181,120	1,760,896
Charge/ (Reversal) during the year	3,317,804	389,057	3,331,144	420,124
Balance as at 31 December	5,465,523	2,147,719	5,512,264	2,181,120

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Movement in Stage 3 Impairment				
Balance as at 1 January	26,212	26,212	26,212	26,212
Charge/ (Reversal) during the year	2,102	-	2,102	-
Balance as at 31 December	28,314	26,212	28,314	26,212

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Movement in Total Impairment				
Balance as at 1 January	2,173,931	1,784,874	2,207,332	1,787,108
Charge/ (Reversal) during the year	3,319,906	389,057	3,333,246	420,124
Balance as at 31 December	5,493,837	2,173,931	5,540,578	2,207,332

28.4 Sri Lanka Development Bonds (US Dollar bonds) - Bank

		Bank			
As at 31 December		2020		2019	
	Date of maturity	Cost of investment	Amortised cost	Cost of investment	Amortised cost
		LKR '000	LKR '000	LKR '000	LKR '000
Fixed Rate					
Sri Lanka Development Bonds - Fixed Rate 5.25%	01.05.2021	129,328,145	130,468,705	126,015,853	127,127,121
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	2,796,123	2,880,657	-	-
Sri Lanka Development Bonds - Fixed Rate 5.70%	01.05.2022	932,041	940,959	908,170	916,859
Sri Lanka Development Bonds - Fixed Rate 5.75%	01.05.2022	932,041	941,036	908,170	916,934
Sri Lanka Development Bonds - Fixed Rate 5.80%	01.05.2022	932,041	941,114	908,170	917,010
Sri Lanka Development Bonds - Fixed Rate 5.85%	01.05.2022	932,041	941,191	908,170	917,085
Sri Lanka Development Bonds - Fixed Rate 5.90%	01.05.2022	932,041	941,269	908,170	917,161
Sri Lanka Development Bonds - Fixed Rate 5.75%	01.05.2023	932,041	941,036	908,170	916,934
Floating Rate					
6 months LIBOR plus 370 basis points	17.03.2020	-	-	4,540,850	4,617,232
6 months LIBOR plus 375 basis points	17.03.2020	-	-	5,449,020	5,541,472
6 months LIBOR plus 380 basis points	17.03.2020	-	-	908,170	923,711
6 months LIBOR plus 360 basis points	01.04.2020	-	-	4,540,850	4,606,102
6 months LIBOR plus 370 basis points	01.04.2020	-	-	4,540,850	4,607,246
6 months LIBOR plus 340 basis points	30.07.2020	-	-	1,816,340	1,860,074
6 months LIBOR plus 365 basis points	30.07.2020	-	-	908,170	931,010
6 months LIBOR plus 390 basis points	30.07.2020	-	-	908,170	931,983
6 months LIBOR plus 415 basis points	30.07.2020	-	-	908,170	932,956
6 months LIBOR plus 430 basis points	30.07.2020	-	-	908,170	933,539
6 months LIBOR plus 440 basis points	30.07.2020	-	-	1,816,340	1,867,857
6 months LIBOR plus 350 basis points	22.01.2022	932,041	948,240	908,170	931,464
6 months LIBOR plus 355 basis points	22.01.2022	932,041	948,450	908,170	931,669
6 months LIBOR plus 365 basis points	22.01.2022	932,041	948,871	908,170	932,079
6 months LIBOR plus 375 basis points	22.01.2022	932,041	949,292	908,170	932,489
6 months LIBOR plus 380 basis points	16.03.2022	932,041	943,281	908,170	923,874
6 months LIBOR plus 385 basis points	16.03.2022	932,041	943,419	908,170	924,007
6 months LIBOR plus 385 basis points	17.03.2022	1,864,082	1,886,617	1,816,340	1,847,686
6 months LIBOR plus 370 basis points	22.01.2023	932,041	949,082	908,170	932,284
6 months LIBOR plus 375 basis points	22.01.2023	932,041	949,292	908,170	932,489
6 months LIBOR plus 390 basis points	16.03.2023	932,041	943,556	908,170	924,140
6 months LIBOR plus 395 basis points	16.03.2023	932,041	943,694	908,170	924,274
Total Sri Lanka Development Bonds		152,629,170	154,162,902	169,608,013	171,518,741

Notes to the Financial Statements

28.4 Sri Lanka Development Bonds (US Dollar bonds) - Group

		Group			
As at 31 December	Date of maturity	2020		2019	
		Cost of investment	Amortised cost	Cost of investment	Amortised cost
		LKR '000	LKR '000	LKR '000	LKR '000
Fixed Rate					
Sri Lanka Development Bonds - Fixed Rate 5.25%	01.05.2021	129,328,145	130,468,705	126,015,853	127,127,121
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	2,796,123	2,880,657	-	-
Sri Lanka Development Bonds - Fixed Rate 5.70%	01.05.2022	932,041	940,959	908,170	916,859
Sri Lanka Development Bonds - Fixed Rate 5.75%	01.05.2022	932,041	941,036	908,170	916,934
Sri Lanka Development Bonds - Fixed Rate 5.80%	01.05.2022	932,041	941,114	908,170	917,010
Sri Lanka Development Bonds - Fixed Rate 5.85%	01.05.2022	932,041	941,191	908,170	917,085
Sri Lanka Development Bonds - Fixed Rate 5.90%	01.05.2022	932,041	941,269	908,170	917,161
Sri Lanka Development Bonds - Fixed Rate 5.75%	01.05.2023	932,041	941,036	908,170	916,934
Floating Rate					
6 months LIBOR plus 370 basis points	17.03.2020	-	-	4,540,850	4,617,232
6 months LIBOR plus 375 basis points	17.03.2020	-	-	5,449,020	5,541,472
6 months LIBOR plus 380 basis points	17.03.2020	-	-	908,170	923,711
6 months LIBOR plus 360 basis points	01.04.2020	-	-	4,540,850	4,606,102
6 months LIBOR plus 370 basis points	01.04.2020	-	-	4,540,850	4,607,246
6 months LIBOR plus 340 basis points	30.07.2020	-	-	1,816,340	1,860,074
6 months LIBOR plus 365 basis points	30.07.2020	-	-	908,170	931,010
6 months LIBOR plus 390 basis points	30.07.2020	-	-	908,170	931,983
6 months LIBOR plus 415 basis points	30.07.2020	-	-	908,170	932,956
6 months LIBOR plus 430 basis points	30.07.2020	-	-	908,170	933,539
6 months LIBOR plus 440 basis points	30.07.2020	-	-	2,179,600	2,231,915
6 months LIBOR plus 350 basis points	22.01.2022	932,041	948,240	908,170	931,464
6 months LIBOR plus 355 basis points	22.01.2022	932,041	948,450	908,170	931,669
6 months LIBOR plus 365 basis points	22.01.2022	932,041	948,871	908,170	932,079
6 months LIBOR plus 375 basis points	22.01.2022	932,041	949,292	908,170	932,489
6 months LIBOR plus 380 basis points	16.03.2022	932,041	943,281	908,170	923,874
6 months LIBOR plus 385 basis points	16.03.2022	932,041	943,419	908,170	924,007
6 months LIBOR plus 385 basis points	17.03.2022	1,864,082	1,886,617	1,816,340	1,847,686
6 months LIBOR plus 370 basis points	22.01.2023	932,041	949,082	908,170	932,284
6 months LIBOR plus 375 basis points	22.01.2023	932,041	949,292	908,170	932,489
6 months LIBOR plus 390 basis points	16.03.2023	932,041	943,556	908,170	924,140
6 months LIBOR plus 395 basis points	16.03.2023	932,041	943,694	908,170	924,274
Total Sri Lanka Development Bonds		152,629,170	154,162,902	169,971,273	171,882,799

28.5 Government of Sri Lanka Restructuring Bonds

As at 31 December	Bank/ Group						
	Rate %	Date of Issue	Date of maturity	2020		2019	
				Cost of investment	Amortised cost	Cost of investment	Amortised cost
				LKR '000	LKR '000	LKR '000	LKR '000
For recapitalisation purpose	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

28.6 Debentures

As at 31 December	Bank/ Group							
	Date of maturity	Coupon rate %	No. of debentures	2020		2019		
				Cost of investment	Amortised cost	No. of Debentures	Cost of investment	Amortised cost
				LKR '000	LKR '000		LKR '000	LKR '000
Access Engineering PLC	18.11.2020	10.25	-	-	-	2,000,000	200,000	202,368
Citizen Development Business Finance PLC	03.06.2021	12.75	500,000	50,000	50,491	500,000	50,000	50,486
Citizen Development Business Finance PLC	27.03.2023	14.20	2,000,000	200,000	221,627	2,000,000	200,000	221,156
Commercial Bank of Ceylon PLC	08.03.2021	10.75	1,000,000	100,000	103,326	1,000,000	100,000	103,325
Commercial Bank of Ceylon PLC	27.10.2021	12.00	779,600	77,960	79,573	779,600	77,960	79,523
Commercial Credit and Finance PLC	01.06.2020	10.50	-	-	-	530,519	53,052	53,319
Commercial Credit and Finance PLC	10.12.2020	10.40	-	-	-	3,665,600	366,560	368,700
Commercial Leasing and Finance PLC	21.07.2020	9.75	-	-	-	750,000	75,000	82,373
DFCC Bank PLC	10.06.2020	9.40	-	-	-	332,100	33,210	34,920
DFCC Bank PLC	09.11.2021	12.15	1,892,800	189,280	192,393	1,892,800	189,280	192,388
DFCC Bank PLC	29.03.2025	13.00	2,250,000	225,000	246,757	2,250,000	225,000	246,741
First Capital Treasuries PLC	05.02.2020	9.50	-	-	-	500,000	50,000	54,726
Hatton National Bank PLC	28.03.2021	11.25	1,000,000	100,000	108,452	1,000,000	100,000	108,428
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	263,121	2,500,000	250,000	263,119
Hayleys PLC	26.08.2024	12.93	1,000,000	100,000	103,408	1,000,000	100,000	104,456
Hayleys PLC	26.08.2024	13.00	1,811,500	181,150	189,269	1,811,500	181,150	183,898
HDFC Bank of Sri Lanka	20.11.2020	10.50	-	-	-	2,000,000	200,000	202,308
Kotagala Plantations PLC	31.08.2025	7.50	165,975	16,598	16,284	165,975	16,598	17,837
Kotagala Plantations PLC	31.08.2025	7.50	165,975	16,598	17,332	165,975	16,598	17,856
Lanka Orix Leasing Company PLC	30.07.2022	13.00	2,500,000	250,000	263,837	2,500,000	250,000	263,679
Lanka Orix Leasing Company PLC	27.09.2024	15.00	250,000	25,000	25,946	-	-	-
LB Finance PLC	11.12.2022	12.75	2,500,000	250,000	251,724	2,500,000	250,000	251,654

Notes to the Financial Statements

As at 31 December	Date of maturity	Coupon rate %	Bank/ Group					
			2020			2019		
			No. of debentures	Cost of investment	Amortised cost	No. of Debentures	Cost of investment	Amortised cost
				LKR '000	LKR '000		LKR '000	LKR '000
MTD Walkers PLC	30.09.2019	11.75	254,784	25,478	28,314	254,784	25,478	29,766
National Development Bank PLC	24.06.2020	9.40	-	-	-	534,500	53,450	58,517
People's Leasing and Finance PLC	16.11.2021	12.60	2,000,000	200,000	203,031	2,000,000	200,000	203,027
People's Leasing and Finance PLC	18.04.2023	12.80	2,500,000	250,000	272,117	2,500,000	250,000	272,114
Regional Development Bank	29.01.2020	9.00	-	-	-	4,250,000	425,000	463,107
Sampath Bank PLC	18.11.2020	9.90	-	-	-	898,400	89,840	90,872
Sampath Bank PLC	10.06.2021	12.75	1,500,000	150,000	160,401	1,500,000	150,000	160,398
Sampath Bank PLC	21.12.2022	12.50	2,270,000	227,000	227,391	2,270,000	227,000	227,239
Sampath Bank PLC	20.03.2023	12.50	2,500,000	250,000	258,704	2,500,000	250,000	258,702
Sanasa Development Bank PLC	31.12.2020	10.00	-	-	-	1,500,000	150,000	157,530
Sanasa Development Bank PLC	31.12.2020	10.30	-	-	-	1,500,000	150,000	157,755
Seylan Bank PLC	15.07.2021	13.00	451,600	45,160	47,871	451,600	45,160	47,870
Seylan Bank PLC	29.03.2023	12.85	2,500,000	250,000	258,054	2,500,000	250,000	258,053
Singer Finance PLC	06.04.2020	12.00	-	-	-	1,000,000	100,000	102,783
Singer (Sri Lanka) PLC	17.06.2020	9.95	-	-	-	309,300	30,930	34,035
Sri Lanka Telecom PLC	19.04.2028	12.75	5,000,000	500,000	512,376	5,000,000	500,000	512,374
Total debentures				3,948,554	4,121,521		5,900,596	6,157,124

28.7 Trust Certificates

As at 31 December	Bank/ Group			
	2020		2019	
	Cost of investment	Amortised cost	Cost of investment	Amortised cost
	LKR '000	LKR '000	LKR '000	LKR '000
Citizen Development Bank	81,136	108,579	176,588	208,103
Softlogic Finance PLC	32,500	44,805	110,500	130,723
Total trust certificates	113,636	153,384	287,088	338,826

29 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	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Government Securities in Sri Lanka				
Treasury bills	38,421	6,343,043	1,282,857	7,891,144
Treasury bonds	9,311,619	1,881,395	9,431,278	2,203,866
Government Securities in India	1,594,471	1,445,693	1,594,471	1,445,693
Quoted equities [Note 29.2]	2,329,969	2,808,684	3,494,494	3,695,899
Unquoted Equities [Note 29.3]	2,088,000	1,757,275	2,110,678	1,779,951
Total financial assets measured at FVTOCI	15,362,480	14,236,090	17,913,778	17,016,553

29.1 By Currency

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Sri Lankan Rupee	11,912,580	11,262,429	14,463,877	14,042,892
United States Dollar	1,855,429	1,527,968	1,855,430	1,527,968
Indian Rupee	1,594,471	1,445,693	1,594,471	1,445,693
Total	15,362,480	14,236,090	17,913,778	17,016,553

Notes to the Financial Statements

29.2 Quoted Equities

As at 31 December	Bank					
	2020			2019		
	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
National Development Bank PLC	19,454,400	1,062,026	1,519,389	18,548,111	969,285	1,854,810
People's Leasing and Finance PLC	11,800,434	211,090	146,325	11,800,434	211,090	211,228
Seylan Bank PLC	14,440,329	561,631	664,255	14,145,629	547,486	742,646
Total quoted equities		1,834,747	2,329,969		1,727,861	2,808,684

As at 31 December	Group					
	2020			2019		
	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
Asiri Hospitals Holdings PLC	30	30	2	-	-	-
Ceylinco Insurance PLC	26	26	52	-	-	-
Hatton National Bank PLC	18	18	2	-	-	-
LVL Energy Fund PLC	2,500,000	20,000	25,500	2,500,000	20,000	19,125
National Development Bank PLC	19,454,400	1,062,026	1,519,389	18,548,111	969,285	1,854,810
People's Leasing and Finance PLC	11,800,434	211,090	146,325	11,800,434	211,090	211,228
Seylan Bank PLC	14,440,329	561,631	664,255	14,145,629	547,486	742,646
The Lanka Hospital Corporation PLC	21,329,000	213,290	1,138,969	21,329,000	213,290	868,090
Total quoted equities		2,068,111	3,494,494		1,961,151	3,695,899

29.3 Unquoted Equities

As at 31 December	Bank					
	2020			2019		
	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
Credit Information Bureau of Sri Lanka	46,600	43,645	43,645	46,800	43,132	43,132
Fitch Ratings Lanka Limited	62,500	625	625	62,500	625	625
LankaClear (Private) Limited	2,100,000	21,000	21,000	2,100,000	21,000	21,000
Lanka Financial Services Bureau Limited	500,000	5,000	5,000	225,000	2,250	2,250
MasterCard Incorporated	17,200	-	1,144,429	17,200	-	932,826
Regional Development Bank	16,448,448	162,300	162,300	16,448,448	162,300	162,300
Visa Inc.	17,438	-	711,001	17,438	-	595,142
		232,570	2,088,000		229,307	1,757,275
Fair value adjustment		1,855,430			1,527,968	
Less - Provision for impairment [Note 29.4]		-			-	
Total unquoted equities		2,088,000	2,088,000		1,757,275	1,757,275

As at 31 December	Group					
	2020			2019		
	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
Ceylinco Investment Company Limited	500,000	5,000	-	500,000	5,000	-
Credit Information Bureau of Sri Lanka	47,140	43,699	43,699	47,340	43,185	43,185
Fitch Ratings Lanka Limited	62,500	625	625	62,500	625	625
LankaClear (Private) Limited	2,100,000	21,000	21,000	2,100,000	21,000	21,000
Lanka Financial Services Bureau Limited	500,000	5,000	5,000	225,000	2,250	2,250
MasterCard Incorporated	17,200	-	1,144,429	17,200	-	932,826
Mega Containers Limited	1,000,000	10,000	21,786	1,000,000	10,000	21,781
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	838	2,506,562	17,546	842
Visa Inc.	17,438	-	711,001	17,438	-	595,142
		269,270	2,110,678		266,006	1,779,951
Fair value adjustment		1,867,216			1,539,749	
Less - Provision for impairment [Note 29.4]		25,808			25,804	
Total unquoted equities		2,110,678	2,110,678		1,779,951	1,779,951

29.4 Movement in Provision for Impairment During the Year

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Movement in Stage 1 Impairment				
Balance as at 1 January	-	4,355	25,804	29,711
Charge/ (Reversal) during the year	-	-	4	448
Write-off during the year	-	(4,355)	-	(4,355)
Balance at 31 December	-	-	25,808	25,804

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Movement in Total Impairment				
Balance as at 1 January	-	4,355	25,804	29,711
Charge/ (Reversal) during the year	-	-	4	448
Write-off during the year	-	(4,355)	-	(4,355)
Balance at 31 December	-	-	25,808	25,804

Notes to the Financial Statements

30 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 30.5 to the Financial Statements.

As at 31 December	Bank	
	2020	2019
	LKR '000	LKR '000
Investment in quoted subsidiaries [Note 30.3]	3,114,952	3,114,952
Investment in unquoted subsidiaries [Note 30.4]	3,798,096	3,798,096
Total investment in subsidiaries	6,913,048	6,913,048
Less : Provision for impairment of investment in subsidiaries [Note 30.2]	400,000	400,000
Carrying value of investment in subsidiary companies	6,513,048	6,513,048

30.1 Movement in Investment in Subsidiary Companies

	2020	2019
	LKR '000	LKR '000
Balance as at 1 January	6,913,048	6,913,048
Increase/ (Decrease) in investments	-	-
Balance as at 31 December	6,913,048	6,913,048

30.2 Provision for Impairment of Investment in Subsidiaries *

	2020	2019
	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.

30.3 Investment in Quoted Subsidiaries

As at 31 December	Bank			
	2020		2019	
	Cost	Market Value	Cost	Market Value
	LKR '000	LKR '000	LKR '000	LKR '000
Property Development PLC (63,064,957 Ordinary shares)	860,270	8,179,525	860,270	8,848,013
Merchant Bank of Sri Lanka and Finance PLC (123,562,267 Ordinary shares)	2,254,682	926,717	2,254,682	1,186,198
Total investment in quoted subsidiaries	3,114,952	9,106,242	3,114,952	10,034,211

30.4 Investment in Unquoted Subsidiaries

As at 31 December	Bank			
	2020		2019	
	Cost	Directors' Valuation	Cost	Directors' Valuation
	LKR '000	LKR '000	LKR '000	LKR '000
BOC Management and Support Services (Private) Limited (99,996 Ordinary shares)	1,000	1,000	1,000	1,000
BOC Property Development and Management (Private) Limited (100,999,998 Ordinary shares)	1,010,000	1,010,000	1,010,000	1,010,000
BOC Travels (Private) Limited (250,004 Ordinary shares)	2,500	2,500	2,500	2,500
Bank of Ceylon (UK) Limited (15,000,000 Ordinary shares)	2,683,859	2,283,859	2,683,859	2,283,859
Hotels Colombo (1963) Limited (10,073,667 Ordinary shares)	100,737	100,737	100,737	100,737
Total investment in unquoted subsidiaries	3,798,096	3,398,096	3,798,096	3,398,096

Notes to the Financial Statements

30.5 Information Relating to Subsidiaries of the Bank

As at 31 December	Ownership interest held by the Bank	
	2020	2019
	%	%
Quoted subsidiaries		
Property Development PLC (PDL)	95.55	95.55
Merchant Bank of Sri Lanka and Finance PLC (MBSL)	74.49	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)	40.08	40.08
Koladeniya Hydropower (Private) Limited (KHP)	95.55	95.55
Bank of Ceylon (UK) Limited (BOC UK)	100.00	100.00

Ceybank Holiday Homes (Private) Limited, MBSL Insurance Company Limited and Koladeniya Hydropower (Private) Limited are indirect subsidiaries of the Bank.

BoC Management and Support Services (Private) Limited (MSS) is not in operation.

30.6 Non-Controlling Interest (NCI) of Subsidiaries

	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	-	-	-	-

	2019				
	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)	30,472	45,228	(17,583)	2,089	(5)
Accumulated balance of NCI as at 31 December (LKR '000)	236,321	659,561	869,291	19,905	9
Dividends paid to NCI (LKR '000)	11,014	-	-	7,484	-

30.7 Summarised Financial Information of Subsidiaries

	2020				
	PDL	MBSL	MSS	PDML	TRAVELS
	LKR '000	LKR '000	LKR '000	LKR '000	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)
	2019				
	PDL	MBSL	MSS	PDML	TRAVELS
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Statement of Profit or Loss for the year					
Total income	1,290,747	6,823,574	-	450,320	1,299,813
Profit/ (Loss) before tax	896,690	220,957	-	312,576	30,935
Profit/ (Loss) after tax	696,007	177,296	-	219,320	30,935
Other comprehensive income	(43,689)	(11,145)	-	(43)	-
Total comprehensive income	652,318	166,151	-	219,277	30,935
Statement of Financial Position as at 31 December					
Total assets	4,443,630	37,176,614	1,470	1,927,136	373,328
Total liabilities	706,556	34,486,359	470	98,551	99,137
Net assets	3,737,074	2,690,255	1,000	1,828,585	274,191
Dividend paid	247,500	-	-	111,100	4,500
Statement of Cash Flows for the year					
Operating cash flows	268,626	2,827,670	-	131,188	8,925
Investing cash flows	(179,236)	(2,074,271)	-	(11,818)	282
Financing cash flows	(246,334)	(514,038)	-	(110,299)	(5,930)
Net increase/ (decrease) in cash and cash equivalents	(156,944)	239,561	-	9,071	3,277

Notes to the Financial Statements

	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

	2019				
	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	221,252	122,719	378,097	107,123	740,866
Profit/ (Loss) before tax	(54,037)	(3,449)	(47,090)	61,809	(8,132)
Profit/ (Loss) after tax	(54,037)	(3,449)	(47,090)	46,951	25,192
Other comprehensive income	-	-	4,220	17	54,302
Total comprehensive income	(54,037)	(3,449)	(42,870)	46,968	79,494
Statement of Financial Position as at 31 December					
Total assets	317,610	34,482	3,027,663	474,336	40,222,495
Total liabilities	214,451	37,691	1,485,360	156,976	37,040,575
Net assets	103,159	(3,209)	1,542,303	317,360	3,181,920
Dividend paid	-	-	-	168,175	-
Statement of Cash Flows for the year					
Operating cash flows	(53,453)	(2,613)	7,086	36,162	40,820
Investing cash flows	12,916	(895)	(1,284,562)	106,248	(10,272)
Financing cash flows	44,456	(137)	1,200,000	(59,675)	-
Net increase/ (decrease) in cash and cash equivalents	3,919	(3,371)	(77,476)	82,735	30,548

31 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 Bank's associates is shown in note 31.4 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.

31.1 Unquoted Associates

As at 31 December	Bank				Group			
	2020		2019		2020		2019	
	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	264,035	264,035	233,951	233,951
Lanka Securities (Private) Limited (3,594,857 Ordinary shares)	41,940	41,940	41,940	41,940	118,461	118,461	109,901	109,901
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	127,588	127,588	103,183	103,183
Total investment in unquoted associates	117,988	92,988	117,988	92,988	510,084	510,084	447,035	447,035
Less - Provision for impairment of investments in associates [Note 31.3]	25,000	-	25,000	-	-	-	-	-
Net investment in unquoted associates	92,988	92,988	92,988	92,988	510,084	510,084	447,035	447,035

Notes to the Financial Statements

31.2 Movement in Investment in Associate Companies

	Bank		Group	
	Cost		Equity value	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	117,988	117,988	447,035	441,226
Share of profit/ (loss), net of tax	-	-	82,488	48,187
Share of other comprehensive income, net of tax	-	-	(19,439)	(7,078)
Share of dividends	-	-	-	(35,300)
Balance as at 31 December	117,988	117,988	510,084	447,035

31.3 Movement in Provision for Impairment of Investment in Associate Companies

	Bank	
	2020	2019
	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

31.4 Share Holding Structure of Associate Companies

Name of the Company	Equity interest %		Shareholding structure	
	2020	2019	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)	41.6	41.6	First Capital Securities Corporation Limited	51.00
			Merchant Bank of Sri Lanka and Finance PLC	29.00
			Bank of Ceylon	20.00
			(Bank of Ceylon indirectly hold 21.6%)	
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.

31.5 Summarised Financial Information of Associates

	2020		
	CAML	LSL	TLRS
	LKR '000	LKR '000	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	-	-	-

	2019		
	CAML	LSL	TLRS
	LKR '000	LKR '000	LKR '000
Statement of profit or loss for the year			
Total income	110,390	85,073	138,689
Profit/ (Loss) before tax	20,678	(26,902)	110,434
Profit/ (Loss) after tax	14,409	(26,901)	102,846
Other comprehensive income	(16,324)	-	-
Total comprehensive income	(1,915)	(26,901)	102,846
Statement of Financial Position as at 31 December			
Total assets	578,627	363,932	643,300
Current liabilities	12,331	102,954	23,041
Total liabilities	39,072	99,747	190,375
Net assets	539,555	264,185	452,925
Dividend paid during the year	21,450	-	40,500
Dividend received to the Bank (net) during the year	8,089	-	26,000

Notes to the Financial Statements

32 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	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Cost				
Balance as at 1 January	3,000,000	3,000,000	148,409	148,409
Additions during the year	3,007	-	-	-
Disposals during the year	-	-	-	-
Transfers from Property, Plant and Equipment	-	-	-	-
Balance as at 31 December	3,003,007	3,000,000	148,409	148,409
Less : Accumulated depreciation				
Balance as at 1 January	351,216	234,144	31,133	28,227
Charge for the year	117,673	117,072	2,906	2,906
Disposal/ transfer	-	-	-	-
Balance as at 31 December	468,889	351,216	34,039	31,133
Net investment properties	2,534,118	2,648,784	114,370	117,276

Rental income generated from investment properties for the year 2020 is LKR 24.0 million (2019 - LKR 24.0 million).

32.1 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

32.2 Investment Properties Held By the Bank and Group

32.2.1 Bank

As at 31 December	2020						2019	
	Building	Extent of Land	Cost			Fair value	Cost	Fair value
			Land	Building	Total		Total	Total
	(sq.ft)	(Perches)	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	3,000,000	3,000,000
Total			2,414,640	588,367	3,003,007	3,003,007	3,000,000	3,000,000

32.2.2. Group

As at 31 December	2020						2019	
	Building	Extent of Land	Cost			Fair value	Cost	Fair value
			Land	Building	Total		Total	Total
	(sq.ft)	(Perches)	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	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	20,368	50.70	17,970	11,989	29,959	188,000	29,959	188,000
Kumbuththukuliya watta, 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, Boralessgamuwa	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 2020 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 2020 and concluded that there was no impairment.

Notes to the Financial Statements

33 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 16) as incurred.

Capital Work in Progress

Capital work in progress is stated at cost. These are expenses of capital nature directly incurred in the construction of buildings, awaiting capitalisation.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the bank incurs in connection with the borrowing of funds.

Depreciation

Depreciation is recognised in Statement of Profit or Loss on a straight line basis over the estimated useful lives of each part of an item of Property, Plant and Equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. Further, cost of expansion and major renovations on the building are depreciated over the remaining useful lives of the original buildings.

Provisioning for depreciation of PPE is made on pro rata basis.

The Group's estimated useful lives for the current and comparative periods are as follows:

Freehold buildings	40 - 60 years
Office equipment	08 years
Furniture and fittings	08 years
Computer equipment	05 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 16) in the Statement of Profit or Loss in the year the item is derecognised.

Reclassification as Investment Property

When the use of property changes such that is reclassified as investment property, its fair value at the date of reclassification becomes its cost for subsequent accounting. Any gain arising on re-measurement is recognised in the Statement of Profit or Loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in Other Comprehensive Income and presented in revaluation reserve in equity. Any loss is recognised immediately in the Statement of Profit or Loss.

Notes to the Financial Statements

33.1 Bank

	Freehold land	Freehold building	Buildings on leasehold land	Equipment [Note 33.12.1]	Motor vehicles	Leasehold motor vehicles	Capital work in progress	2020 Total	2019 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	13,609,747	3,575,969	2,608,487	16,201,964	1,706,815	37,548	498,223	38,238,753	35,320,799
Additions during the year									
Acquisitions	57,224	49,004	68,171	1,948,195	106,718	-	717,165	2,946,477	3,371,350
Capitalisations	-	350,318	17,898	14,905	-	-	(383,121)	-	-
Changes in revaluation surplus/ (deficit)	6,247,214	615,873	-	-	-	-	-	6,863,087	-
Transfer of accumulated depreciation on revalued assets	-	(350,554)	-	-	-	-	-	(350,554)	-
Disposals during the year	(2,578)	(18,880)	-	(69,790)	(100,445)	-	-	(191,693)	(364,897)
Exchange rate adjustments	-	-	-	(2,380)	(3,641)	-	-	(6,021)	(4,546)
Transfers/ adjustments	-	(4,532)	-	4,532	-	-	(5,405)	(5,405)	(83,953)
As at 31 December	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
Accumulated depreciation and Impairment									
As at 1 January	-	238,796	293,424	10,772,230	1,317,690	37,548	-	12,659,688	11,142,644
Charge for the year	-	118,152	83,336	1,547,935	220,033	-	-	1,969,456	1,872,206
Transfer of accumulated depreciation on revalued assets	-	(350,554)	-	-	-	-	-	(350,554)	-
Disposals during the year	-	(1,505)	-	(64,417)	(79,202)	-	-	(145,124)	(350,798)
Exchange rate adjustments	-	-	-	(1,486)	(3,339)	-	-	(4,825)	(4,229)
Transfers/ adjustments	-	(9)	-	9	-	-	-	-	(135)
As at 31 December	-	4,880	376,760	12,254,271	1,455,182	37,548	-	14,128,641	12,659,688
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	
Net book value as at 31 December 2019	13,609,747	3,337,173	2,315,063	5,429,734	389,125	-	498,223		25,579,065

33.2 Group

	Freehold land	Freehold building	Buildings on leasehold land	Equipment [Note 33.12.2]	Motor vehicles	Leasehold motor vehicles	Capital work in progress	2020 Total	2019 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	16,530,390	6,645,402	11,069,301	17,833,488	1,905,693	60,924	556,677	54,601,875	51,038,344
Additions during the year									
Acquisitions	57,224	52,035	97,659	2,027,949	106,718	-	718,410	3,059,995	3,711,782
Capitalisations	-	350,318	17,898	14,905	-	-	(383,121)	-	-
Changes in revaluation surplus/ (deficit)	6,247,221	585,606	881,982	-	-	-	-	7,714,809	774,899
Transfer of accumulated depreciation on revalued assets	-	(380,165)	(379,093)	-	-	-	-	(759,258)	(361,277)
Disposals during the year	(2,578)	(18,880)	(3,528)	(82,669)	(100,445)	-	-	(208,100)	(494,702)
Exchange rate adjustments	23,049	23,844	-	182	(3,641)	-	-	43,434	16,733
Transfers/ adjustments	2,864	10,181	(18,228)	4,530	-	-	(5,405)	(6,058)	(83,904)
As at 31 December	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
Accumulated depreciation									
As at 1 January	-	952,702	863,103	11,828,371	1,420,183	51,136	-	15,115,495	13,275,835
Charge for the year	-	299,722	505,102	1,685,562	240,905	4,697	-	2,735,988	2,576,074
Transfer of accumulated depreciation on revalued assets	-	(380,165)	(379,093)	-	-	-	-	(759,258)	(361,277)
Impairment loss	-	-	-	81,759	-	-	-	81,759	-
Disposals during the year	-	(1,505)	-	(67,207)	(79,202)	-	-	(147,914)	(375,157)
Exchange rate adjustments	-	3,524	-	776	(3,339)	-	-	961	164
Transfers/ adjustments	-	(9)	-	1,055	-	-	-	1,046	(144)
As at 31 December	-	874,269	989,112	13,530,316	1,578,547	55,833	-	17,028,077	15,115,495
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	
Net book value as at 31 December 2019	16,530,390	5,692,700	10,206,198	6,005,117	485,510	9,788	556,677		39,486,380

33.3 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.

33.4 Property, Plant and Equipment Pledged as Security for Liabilities

No freehold Property, Plant and Equipment have been pledged as security for any liability.

33.5 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.

Notes to the Financial Statements

33.6 Fully Depreciated Property, Plant and Equipment

The initial cost of fully depreciated Property, Plant and Equipment which are still in use are as follows;

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Motor vehicles	997,475	818,935	1,059,237	827,502
Computer equipments	4,010,339	3,663,338	4,266,903	3,665,481
Equipment, furniture, and fittings	1,907,381	1,641,669	2,169,159	1,671,293
Buildings on leasehold lands	43,906	35,655	43,906	35,655
Plant and machinery	1,441,662	1,275,012	1,549,787	1,275,386
Total	8,400,763	7,434,609	9,088,992	7,475,317

33.7 Temporarily Idle Property, Plant and Equipment

There were no temporarily idle Property, Plant and Equipment as at the reporting date.

33.8 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".

33.9 Freehold Properties

The carrying value of freehold properties, that would have been recognised in the Financial Statements, if they were carried at cost less accumulated depreciation is as follows;

33.9.1 Bank

As at 31 December	2020			2019		
	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	2,014,740	-	2,014,740
Building	2,329,975	(781,471)	1,548,504	1,954,066	(664,833)	1,289,233
Total	4,399,361	(781,471)	3,617,890	3,968,806	(664,833)	3,303,973

33.9.2 Group

As at 31 December	2020			2019		
	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	2,116,395	-	2,116,395	2,038,701	-	2,038,701
Building	3,495,307	(1,409,503)	2,085,804	3,077,810	(1,107,771)	1,970,039
Total	5,611,702	(1,409,503)	4,202,199	5,116,511	(1,107,771)	4,008,740

33.10 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

Details of properties	Valuer	Basis of valuation	2020		
			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 31 December 2020)	Prathap Chartered Valuation and Consultancy (Pvt)Ltd	Discounted cash flow method	6,984,817	7,848,668	863,851
BOC Property Development and Management (Private) Limited Bank of Ceylon - Ceybank house No: 86, Sri Dalada Veediya, Kandy (Revalued as at 31 December 2020)	M/s P B Kalugalagedara and Associates	Market value method	481,183	499,314	18,131

Freehold Land

Details of properties	Valuer	Basis of valuation	2020		
			Carrying value	Revalued amount of Building	Surplus/ (Loss) of Building
			LKR '000	LKR '000	LKR '000
Merchant Bank of Sri Lanka and Finance PLC No: 470, Hendala Road, Wattala (Revalued as at 31 December 2017)	Mr S A N A Perera	Market value method	9,961	75,200	65,239
Merchant Bank of Sri Lanka and Finance PLC Kurunduwatta Ekala (Revalued as at 31 December 2017)	Mr D N Dhammika Baranage	Market value method	14,000	95,000	81,000

Freehold Building

Details of properties	Valuer	Basis of valuation	2020		
			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 2020)	M/s P B Kalugalagedara and Associates	Market value method	1,845,164	1,814,875	(30,289)
Merchant Bank of Sri Lanka and Finance PLC No: 470, Hendala Road, Wattala (Revalued as at 31 December 2017)	Mr S A N A Perera	Market value method	1,190	4,200	3,010

Notes to the Financial Statements

33.11 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.

33.11.1 Bank

Type of asset	Fair value as at 31.12.2020	Valuation technique	2020		
			Significant unobservable inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
LKR '000					
Freehold land	19,911,607	Market comparable method	Estimated cost per perch	LKR 50,000 - LKR 19,053,000	Positively correlated sensitivity
Freehold buildings	4,212,318	Market comparable method	Estimated cost per square feet	LKR 600 - LKR 59,000	Positively correlated sensitivity
Buildings on leasehold lands	2,317,796	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

33.11.2 Group

Type of asset	Fair value as at 31.12.2020	Valuation technique	2020		
			Significant unobservable inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
LKR '000					
Freehold land	22,858,170	Market comparable method	Estimated cost per perch	LKR 50,000 - LKR 19,053,000	Positively correlated sensitivity
Freehold buildings	6,394,072	Market comparable method	Estimated cost per square feet	LKR 600 - LKR 59,000	Positively correlated sensitivity
Buildings on leasehold lands	10,676,879	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

33.12 Equipment

33.12.1 Bank

	Computer Equipment	Furniture and Fittings	Office Equipment	Power Plant	2020 Total	2019 Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cost						
Balance as at 1 January	8,455,145	4,751,215	2,995,604	-	16,201,964	14,528,740
Additions during the year						
Acquisitions	1,136,948	573,923	237,324	-	1,948,195	1,920,301
Capitalisations	-	14,905	-	-	14,905	13,517
Disposals during the year	(40,195)	(15,705)	(13,890)	-	(69,790)	(252,848)
Exchange rate adjustments	(541)	(1,087)	(752)	-	(2,380)	(4,313)
Transfers/ adjustments	-	-	4,532	-	4,532	(3,433)
Balance as at 31 December	9,551,357	5,323,251	3,222,818	-	18,097,426	16,201,964
Accumulated depreciation						
Balance as at 1 January	5,784,008	2,846,974	2,141,248	-	10,772,230	9,594,443
Charge for the year	941,696	400,439	205,800	-	1,547,935	1,431,308
Disposals during the year	(35,725)	(15,317)	(13,375)	-	(64,417)	(249,364)
Exchange rate adjustments	(261)	(813)	(412)	-	(1,486)	(4,022)
Transfers/ adjustments	-	-	9	-	9	(135)
Balance as at 31 December	6,689,718	3,231,283	2,333,270	-	12,254,271	10,772,230
Net book value as at 31 December 2020	2,861,639	2,091,968	889,548	-	5,843,155	
Net book value as at 31 December 2019	2,671,137	1,904,241	854,356	-		5,429,734

33.12.2 Group

	Computer Equipment	Furniture and Fittings	Office Equipment	Power Plant	2020 Total	2019 Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cost						
Balance as at 1 January	8,968,348	5,524,826	3,041,316	298,998	17,833,488	16,062,997
Additions during the year						
Acquisitions	1,184,901	604,511	238,537	-	2,027,949	2,032,055
Capitalisation	-	14,905	-	-	14,905	13,517
Disposals during the year	(48,971)	(18,940)	(14,758)	-	(82,669)	(269,381)
Exchange rate adjustments	(482)	1,417	(753)	-	182	(2,487)
Transfers/ Adjustments	208	2,857	1,465	-	4,530	(3,213)
Balance as at 31 December	10,104,004	6,129,576	3,265,807	298,998	19,798,385	17,833,488
Accumulated depreciation						
Balance as at 1 January	6,175,456	3,358,563	2,180,105	114,247	11,828,371	10,541,384
Charge for the year	995,344	467,808	207,460	14,950	1,685,562	1,553,373
Impairment loss	3	262	-	81,494	81,759	-
Disposals during the year	(36,776)	(16,386)	(14,045)	-	(67,207)	(264,342)
Exchange rate adjustments	(369)	1,557	(412)	-	776	(1,900)
Transfers/ Adjustments	156	2,492	(1,593)	-	1,055	(144)
Balance as at 31 December	7,133,814	3,814,296	2,371,515	210,691	13,530,316	11,828,371
Net book value as at 31 December 2020	2,970,190	2,315,280	894,292	88,307	6,268,069	
Net book value as at 31 December 2019	2,792,892	2,166,263	861,211	184,751		6,005,117

Notes to the Financial Statements

33.13 The Details of Freehold Land and Building Held by the Bank as at 31 December 2020 are as Follows:

Name of Premises	Land Extent (Perches)	Building (Square feet)	Date of valuation	Valuer	Basis of Valuation
Central Province					
Galaha Branch					
59/37, Deltota Road, Galaha	15.00	8,410	31.12.2020	R H Jayawardana	Contractor's Method
Gampola Branch					
44, Kadugannawa Road, Gampola	175.00	9,832	31.12.2020	R H Jayawardana	Contractor's Method
Galewela Branch					
158, Dhambulla Road, Galewela	47.00	7,199	30.11.2020	Upali Rajapaksha	Contractor's Method
Hatton Branch and staff Quarters					
46, Circular Road, Hatton	139.50	10,891	31.12.2020	R H Jayawardana	Contractor's Method
Kandy 2nd City Branch					
22, Dalada Veediya, Kandy	42.81	18,523	31.12.2020	R H Jayawardana	Contractor's Method
Kandapola Branch					
Nuwara Eliya Road, Kandapola	14.10	4,284	11.07.2018	K T D Tissera	Contractor's Method
Maskeliya Branch					
66, Upcot Road, Maskeliya	42.05	6,607	31.12.2020	R H Jayawardana	Contractor's Method
Nawalapitiya Branch					
106, Gampola Road, Nawalapitiya	21.92	9,790	31.12.2020	R H Jayawardana	Contractor's Method
Nuwara Eliya Branch					
43, Lawson Street, Nuwara Eliya	133.50	9,713	31.12.2020	R H Jayawardana	Contractor's Method
Nuwara Eliya Staff Quarters					
14, 19, Hill Street, Nuwara Eliya	41.40	4,847	31.12.2020	R H Jayawardana	Contractor's Method
Nuwara Eliya Property Ladies Staff Quarters					
12, Hill Street, Nuwara Eliya	14.99	1,303	31.12.2020	R H Jayawardana	Contractor's Method
Rikillagaskada Branch					
38, Dimbulkubura Road, Rikillagaskada	19.60	4,450	26.07.2017	N M Keppetipola	Contractor's Method
Thalawakele Branch					
23, 25, 29, Hatton Road, Talawakelle	25.30	7,332	31.12.2020	R H Jayawardana	Contractor's Method
Thalawakele Staff Quarters					
Talawakele Estate Plantation	160.00	4,898	31.12.2020	R H Jayawardana	Contractor's Method
Eastern Province					
Batticaloa Branch					
21 and 21 1/1 Govington Road, Batticaloa	64.85	7,464	31.12.2020	R H Jayawardana	Contractor's Method
Mutur Branch					
Ward No 7, Main street, Mutur	71.00	7,566	31.12.2020	R H Jayawardana	Contractor's Method
Pottuvil Branch					
Main Street, Pottuvil	10.70	4,077	31.12.2020	R H Jayawardana	Contractor's Method
Trincomalee Branch					
28, Inner Harbour Road, Trincomalee	90.00	10,810	31.12.2020	R H Jayawardana	Contractor's Method
Trincomalee City Branch					
09, Main Street, Trincomalee	21.90	-	31.12.2020	R H Jayawardana	Contractor's Method
Valachchenai Branch					
Main Street, Valachchenai	47.34	6,621	31.12.2020	R H Jayawardana	Contractor's Method

Carrying value of Land	Revalued Amount of Land	Surplus/ (Loss) of Land	Carrying value of Building	Revalued Amount of Buildings	Surplus/ (Loss) of Buildings	Total Revaluation Surplus/ (Loss)
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
15,000	22,500	7,500	18,233	29,370	11,137	18,637
105,000	245,000	140,000	28,675	26,157	(2,518)	137,482
97,759	117,500	19,741	71,074	50,000	(21,074)	(1,333)
97,000	279,140	182,140	39,039	39,800	761	182,901
428,000	642,150	214,150	22,950	64,830	41,880	256,030
37,109	37,109	-	9,554	9,554	-	-
25,000	42,000	17,000	14,214	18,757	4,543	21,543
33,000	54,800	21,800	16,770	35,244	18,474	40,274
667,500	867,750	200,250	35,553	37,685	2,132	202,382
98,400	103,500	5,100	11,903	16,116	4,213	9,313
7,495	11,242	3,747	1,756	4,104	2,348	6,095
30,199	30,199	-	10,414	10,414	-	-
33,520	39,650	6,130	15,733	21,874	6,141	12,271
10,400	11,200	800	10,762	13,944	3,182	3,982
1,685,382	2,503,740	818,358	306,630	377,849	71,219	889,577
48,500	64,850	16,350	17,371	23,676	6,305	22,655
15,585	24,850	9,265	38,480	45,396	6,916	16,181
17,000	24,075	7,075	12,025	18,304	6,279	13,354
72,000	99,000	27,000	15,862	25,319	9,457	36,457
35,000	38,325	3,325	-	-	-	3,325
30,500	37,872	7,372	12,325	18,363	6,038	13,410
218,585	288,972	70,387	96,063	131,058	34,995	105,382

Notes to the Financial Statements

Name of Premises	Land Extent (Perches)	Building (Square feet)	Date of valuation	Valuer	Basis of Valuation
Northern Province					
Jaffna Area Office and Branch					
56, Stanley Road, Jaffna	166.25	24,784	30.11.2020	K T D Tissera	Contractor's Method
Jaffna 2nd Branch					
52, Stanley Road, Jaffna	33.89	12,700	30.10.2018	K T D Tissera	Contractor's Method
Karainagar Branch					
Post Office View, Karainagar	20.09	2,633	30.11.2020	K T D Tissera	Contractor's Method
Mannar manager and staff Quarters (Ice factory)					
52, Pallimunai Road, Grand Bazaar, Mannar	63.22	7,661	30.11.2020	A R M M Kaleel	Contractor's Method
Nelliadi Branch					
Thikkam Road, Karaveddy, Nelliady	42.74	10,889	30.11.2020	A R M M Kaleel	Contractor's Method
North Western Province					
Alawwa Branch					
64, Giriulla Road, Alawwa	30.80	7,011	30.11.2020	R W M S B Rajapaksha	Contractor's Method
Bingiriya Land					
Wariyapola Road, Bingiriya	40.00	-	30.11.2020	Upali Rajapaksha	Contractor's Method
Chilaw Branch					
Radaguru Edmund Peiris Mawatha, Chilaw	38.25	8,935	30.11.2020	R W M S B Rajapaksha	Contractor's Method
Dankotuwa Land					
No 88A, Kahatagahawatte, Negombo Road, Dankotuwa	32.90	-	03.08.2017	K T D Tissera	Contractor's Method
Dummalasooriya Branch					
227, Kuliyapitiya - Madampe Road, Dummalasuriya	41.68	6,139	30.11.2020	R W M S B Rajapaksha	Contractor's Method
Kurunegala Province Office AGM's Quarters and CM Quarters					
18, Mihindu mawatha, Kurunegala	225.00	20,575	31.12.2020	R H Jayawardana	Contractor's Method
Kurunegala Super Grade Branch					
Commercial Complex, Kurunegala	-	12,242	31.12.2020	R H Jayawardana	Investment method
Kurunegala 2nd City Branch (Land)					
34, Colombo Road, Kurunegala	52.00	16,677	30.11.2020	R W M S B Rajapaksha	Comparison's Method
Madampe Branch					
10, Station Road, Madampe	61.10	7,260	30.11.2020	R W M S B Rajapaksha	Contractor's Method
Madurankuliya Branch					
66, Colombo Road, Madurankuliya	46.00	5,760	30.11.2020	R W M S B Rajapaksha	Contractor's Method
Malsiripura Branch (Land)					
254, Dambulla Road, Malsiripura	46.20	7,242	30.11.2020	R W M S B Rajapaksha	Contractor's Method
Marawila Branch (Land)					
85, Negombo Road, Marawila	35.00	-	03.04.2018	R W M S B Rajapaksha	Contractor's Method
Narammala Branch					
139, Negombo Road, Narammala	117.50	7,190	30.11.2020	R W M S B Rajapaksha	Contractor's Method
Nattandiya Branch (Land)					
115, Marawila Road, Nattandiya	67.50	-	30.11.2020	Upali Rajapaksha	Contractor's Method

Carrying value of Land LKR '000	Revalued Amount of Land LKR '000	Surplus/ (Loss) of Land LKR '000	Carrying value of Building LKR '000	Revalued Amount of Buildings LKR '000	Surplus/ (Loss) of Buildings LKR '000	Total Revaluation Surplus/ (Loss) LKR '000
249,500	540,000	290,500	26,017	35,000	8,983	299,483
135,269	135,269	-	50,804	50,804	-	-
3,300	5,000	1,700	7,495	9,000	1,505	3,205
9,500	35,000	25,500	6,886	-	(6,886)	18,614
17,750	60,000	42,250	29,881	55,000	25,119	67,369
415,319	775,269	359,950	121,083	149,804	28,721	388,671
46,000	54,000	8,000	23,791	22,000	(1,791)	6,209
21,199	30,000	8,801	-	-	-	8,801
66,000	76,500	10,500	22,200	28,500	6,300	16,800
49,973	49,973	-	-	-	-	-
30,000	41,500	11,500	15,466	23,500	8,034	19,534
560,000	1,012,500	452,500	37,000	94,699	57,699	510,199
-	-	-	154,870	224,600	69,730	69,730
234,000	468,000	234,000	12,962	-	(12,962)	221,038
38,000	61,000	23,000	20,737	26,000	5,263	28,263
60,000	62,100	2,100	33,300	32,700	(600)	1,500
46,799	69,000	22,201	84,530	47,000	(37,530)	(15,329)
48,879	48,879	-	-	-	-	-
87,000	92,750	5,750	36,537	38,750	2,213	7,963
47,399	60,000	12,601	-	-	-	12,601

Notes to the Financial Statements

Name of Premises	Land Extent (Perches)	Building (Square feet)	Date of valuation	Valuer	Basis of Valuation
Waikkal Branch (Land)					
Puttalam Road, Thoppuwa, Waikkal	36.00	-	30.11.2020	Upali Rajapaksha	Contractor's Method
Wariyapola Branch (Land)					
Makaduwapitiyewatte, Vilakatupotha, Wariyapola	40.80	-	30.11.2020	R W M S B Rajapaksha	Comparison's Method
Sabaragamuwa Province					
Balangoda Branch					Depreciated Replacement Cost Method
137, Main Street, Balangoda	14.50	3,520	30.11.2020	S A R Amarasinghe	
Dehiowita Branch					On Cost Approach
62 Main Street, Dehiowita	38.60	3,818	30.11.2020	A G Gunaratna	
Kegalle Branch					Contractor's Method
110, Colombo Road, Kegalle	131.38	16,718	30.11.2020	W D P Rupananda	
Ratnapura Branch					Contractor's Method
6, Dharmapala Mawatha, Ratnapura	99.70	11,082	30.11.2020	W D P Rupananda	
Rathnapura Land					Comparison Method
58, Main Street, Ratnapura	31.69	-	30.11.2020	W D P Rupananda	
Southern Province					
Ambalangoda Branch					Contractor's Method
New Galle Road, Ambalangoda	58.00	6,330	30.11.2020	U Rajapaksha	
Ambalantota Branch					Contractor's Method
11 Wanduruppa Road, Ambalantota	38.00	5,410	30.11.2020	U Rajapaksha	
Ahangama Land					Comparison Method
Mathara Road, Ahangama	33.35	-	30.11.2020	U Rajapaksha	
Batapola Branch					Contractor's Method
BB Hardware, Mahawatta, Batapola	46.80	3,024	27.01.2019	U Rajapaksha	
Beliatta Branch					Contractor's Method
67, Walasmulla Road, Beliatta	53.02	6,200	30.11.2020	U Rajapaksha	
Deniyaya Land					Contractor's Method
Viharahena Road, Deniyaya	55.80	-	26.02.2019	U Rajapaksha	
Galle Province Office					Contractor's Method
2, Light House Street, Fort, Galle	32.63	14,250	30.11.2020	S A R Amarasinghe	
Galle Branch					Depreciated Replacement Cost Method
2, Gamini Road, Galle	31.50	16,200	30.11.2020	S A R Amarasinghe	
Galle City Branch					Contractor's Method
161 and 163, Dewamitta Mawatha, Kumbalwella	27.14	-	29.03.2019	U Rajapaksha	
Hakmana Branch					Contractor's Method
Beliatta Road, Hakmana	36.70	3,400	30.11.2020	U Rajapaksha	
Imaduwa Branch					Depreciated Replacement Cost Method
Ahangama Road, Imaduwa	80.00	3,300	30.11.2020	S A R Amarasinghe	
Karapitiya Land					Comparison Method
105, Hirimbura Cross Road, Karapitiya, Galle	35.00	-	30.11.2020	U Rajapaksha	

Carrying value of Land LKR '000	Revalued Amount of Land LKR '000	Surplus/ (Loss) of Land LKR '000	Carrying value of Building LKR '000	Revalued Amount of Buildings LKR '000	Surplus/ (Loss) of Buildings LKR '000	Total Revaluation Surplus/ (Loss) LKR '000
44,799	60,000	15,201	-	-	-	15,201
90,699	100,000	9,301	-	-	-	9,301
1,470,747	2,286,202	815,455	441,393	537,749	96,356	911,811
40,000	36,200	(3,800)	620	3,100	2,480	(1,320)
15,180	20,090	4,910	1,027	2,418	1,391	6,301
146,000	350,000	204,000	40,807	55,000	14,193	218,193
82,000	110,000	28,000	34,553	35,000	447	28,447
85,000	118,000	33,000	-	-	-	33,000
368,180	634,290	266,110	77,007	95,518	18,511	284,621
203,000	116,000	(87,000)	23,588	39,550	15,962	(71,038)
36,200	47,500	11,300	14,504	20,000	5,496	16,796
20,007	40,000	19,993	-	-	-	19,993
60,012	60,012	-	6,366	-	(6,366)	(6,366)
59,000	101,436	42,436	37,463	39,064	1,601	44,037
57,224	57,224	-	-	-	-	-
228,000	261,000	33,000	22,442	25,650	3,208	36,208
236,000	252,000	16,000	19,252	29,200	9,948	25,948
126,566	126,566	-	-	-	-	-
36,700	49,500	12,800	8,046	11,500	3,454	16,254
55,922	62,600	6,678	7,980	7,900	(80)	6,598
62,599	77,000	14,401	-	-	-	14,401

Notes to the Financial Statements

Name of Premises	Land Extent (Perches)	Building (Square feet)	Date of valuation	Valuer	Basis of Valuation
Matara Branch					
11, Kumaratunga Mawatha, Matara	104.40	52,969	30.11.2020	U Rajapaksha	Contractor's Method
Matara Bazaar Branch					
Gunawardana Mawatha, Matara	49.25	6,920	30.11.2020	U Rajapaksha	Contractor's Method
Nagoda Branch					Depreciated Replacement Cost Method
Nagoda	40.00	3,100	30.11.2020	S A R Amarasinghe	
Ranna Branch					
Kahandawa, Ranna	40.00	-	25.10.2018	U Rajapaksha	Contractor's Method
Tangalle Branch					
145/147, Sea Street, Tangalle	21.05	5,370	30.11.2020	U Rajapaksha	Contractor's Method
Weeraketiya Branch					
Belliatta Road, Weeraketiya	36.87	4,480	30.11.2020	U Rajapaksha	Contractor's Method
Weligama Branch					Depreciated Replacement Cost Method
239 Main Street, Weligama	97.75	8,110	30.11.2020	S A R Amarasinghe	
Walasmulla Land					
453, Walasmulla South, Walasmulla	38.00	8,045	30.11.2020	U Rajapaksha	Contractor's Method
Uva Province					
Badulla Uva Province Office					Investment and Contractor's Method
Bank Road, Badulla	118.75	9,537	30.11.2020	L H Lickson	
Bandarawela Branch					
230, Badulla Road, Bandarawela	10.60	7,731	30.11.2020	L H Lickson	Contractor's Method
Ettampitiya Branch					Investment and Contractor's Method
23, Nuwara Eliya Road, Ettampitiya	20.35	3,729	30.11.2020	L H Lickson	
Haputale Branch (Browns)					
20, Station Road, Haputale	158.70	7,361	30.11.2020	L H Lickson	Contractor's Method
Monaragala Branch, Manager Quarters and staff Quarters					
401, Wellawaya Road, Moneragala	320.00	8,963	30.11.2020	L H Lickson	Contractor's Method
Siyabalanduwa Branch					
Siyabalanduwa	28.00	5,564	01.11.2017	M C A Malik	Investment Method
Western Province North					
Borella Branch				W D P Rupananda K D Tissera	Investment and Contractor's Method
71, Danister de Silva Mawatha, Borella	55.30	20,573	30.11.2020		
City Office					Investment and Contractor's Method
41, Bristol Street, Colombo 1	39.50	31,443	30.11.2020	W D P Rupananda	
Grand Pass Branch					Cost and Income Approach
703, Sirimavo Bandaranaike Mawatha, Grandpass	20.12	6,210	30.11.2020	A G Gunaratna	
Gampaha Branch					Depreciated Replacement Cost Method
170, Colombo Road, Gampaha	34.06	7,295	30.11.2020	S A R Amarasingha	

Carrying value of Land LKR '000	Revalued Amount of Land LKR '000	Surplus/ (Loss) of Land LKR '000	Carrying value of Building LKR '000	Revalued Amount of Buildings LKR '000	Surplus/ (Loss) of Buildings LKR '000	Total Revaluation Surplus/ (Loss) LKR '000
261,000	395,400	134,400	10,153	301,350	291,197	425,597
123,500	153,750	30,250	38,388	43,250	4,862	35,112
16,000	20,000	4,000	11,100	10,700	(400)	3,600
28,199	28,199	-	-	-	-	-
26,500	31,575	5,075	29,138	32,000	2,862	7,937
42,600	48,000	5,400	23,958	26,700	2,742	8,142
73,300	97,750	24,450	20,954	21,900	946	25,396
32,717	57,000	24,283	82,550	60,000	(22,550)	1,733
1,785,046	2,082,512	297,466	355,882	668,764	312,882	610,348
11,750	59,316	47,566	14,250	17,347	3,097	50,663
33,000	82,824	49,824	13,875	23,776	9,901	59,725
10,105	11,123	1,018	9,209	10,628	1,419	2,437
36,000	39,192	3,192	9,680	11,508	1,828	5,020
50,000	84,800	34,800	28,057	42,500	14,443	49,243
21,699	21,699	-	20,953	20,953	-	-
162,554	298,954	136,400	96,024	126,712	30,688	167,088
357,000	513,200	156,200	68,450	85,000	16,550	172,750
495,000	610,000	115,000	49,500	77,000	27,500	142,500
120,720	181,080	60,360	22,004	24,045	2,041	62,401
85,000	119,200	34,200	92,744	36,500	(56,244)	(22,044)

Notes to the Financial Statements

Name of Premises	Land Extent (Perches)	Building (Square feet)	Date of valuation	Valuer	Basis of Valuation
Ganemulla Branch (Land) 156, Kirindiwita Road, Ganemulla	43.61	-	26.01.2019	S A R Amarasingha	Contractor's Method
Ja Ela Branch 19, Negombo Road, Ja-ela	45.94	7,800	31.12.2020	A R M M Kaleel	Contractor's Method
Kadawatha Branch 469, Ragama Road, Kadawatha	30.71	6,138	31.12.2020	A R M M Kaleel	Contractor's Method
Kiribathgoda Branch (Land) Kandy Road, Kiribathgoda	43.70	-	21.06.2018	A G Gunaratne	Contractor's Method
Negombo Branch 118, Rajapakse Broadway, Negombo	93.60	10,965	30.11.2020	S A R Amarasingha	Depreciated Replacement Cost Method
Negombo City 75,77, Main Street, Negombo	10.76	8,355	30.11.2020	S A R Amarasinghe	Depreciated Replacement Cost Method
Pettah Branch 212/63, Gas Work Street, Colombo 11	28.29	25,222	30.11.2020	W D P Rupananda	Investment and Contractor's Method
Dematagoda Land 45, 47, Kolonnawa Road, Colombo	38.14	-	30.11.2020	W D P Rupananda	Comparison Method
Western Province South					
Aluthgama Branch 267, Galle Road, Aluthgama	36.60	6,558	30.11.2020	B K Dayaratne	Contractor's Method
Bambalapitiya Branch 10, Unity Plaza Building, Galle Road, Colombo 4	-	7,776	30.11.2020	S A R Amarasingha	Depreciated Replacement Cost Method
Beruwala Branch 165A, Galle Road, Beruwala	21.50	5,850	30.11.2020	B K Dayaratne	Contractor's Method
Bulathsinhala Branch 40, Horana Road, Athura, Bulathsinhala	55.52	6,900	30.11.2020	B K Dayaratne	Contractor's Method
Dehiwala Branch 207, Galle Road, Dehiwela	22.00	12,454	30.11.2020	A G Gunaratna	Cost Approach
Horana Branch 87, Anguruwathota Road, Horana	70.02	10,611	30.11.2020	B K Dayaratne	Contractor's Method
Idama Branch 707, Galle Road, Moratuwa	61.12	10,464	30.11.2020	A G Gunaratna	Cost Method
Kalutara Branch 218, Galle Road, Kalutara South, Kalutara	44.36	10,645	30.11.2020	B K Dayaratne	Contractor's Method
Kottawa Branch (Land) 903, Avissawella Road, Kottawa	35.22	-	01.12.2018	A G Gunaratna	Contractor's Basis
Maharagama Branch and Central Training Institute 88, Highlevel Road, Maharagama	185.10	82,121	30.11.2020	A G Gunaratna	Cost and Income Approach
Matugama Branch No 72, Agalawatte Road, Matugama	9.50	4,158	30.11.2020	A G Gunaratna	Cost Approach
Nugegoda Branch 174, Highlevel Road, Nugegoda,	67.73	42,253	30.11.2020	A G Gunaratna	Cost Approach

Carrying value of Land LKR '000	Revalued Amount of Land LKR '000	Surplus/ (Loss) of Land LKR '000	Carrying value of Building LKR '000	Revalued Amount of Buildings LKR '000	Surplus/ (Loss) of Buildings LKR '000	Total Revaluation Surplus/ (Loss) LKR '000
72,645	72,645	-	-	-	-	-
121,920	165,000	43,080	17,600	35,000	17,400	60,480
92,130	120,000	27,870	15,400	20,000	4,600	32,470
249,963	249,963	-	-	-	-	-
171,160	327,600	156,440	31,900	32,700	800	157,240
46,998	48,400	1,402	51,967	53,500	1,533	2,935
410,000	539,000	129,000	44,332	56,000	11,668	140,668
205,000	273,000	68,000	-	-	-	68,000
2,427,536	3,219,088	791,552	393,897	419,745	25,848	817,400
62,220	80,520	18,300	23,895	24,263	368	18,668
-	-	-	189,643	218,800	29,157	29,157
48,375	64,500	16,125	12,843	12,113	(730)	15,395
40,388	80,790	40,402	21,386	13,900	(7,486)	32,916
99,000	154,000	55,000	31,086	57,800	26,714	81,714
245,063	260,600	15,537	29,851	29,553	(298)	15,239
150,000	244,480	94,480	13,028	14,475	1,447	95,927
88,720	177,440	88,720	31,760	34,051	2,291	91,011
219,772	219,772	-	-	-	-	-
507,381	658,463	151,082	161,716	201,538	39,822	190,904
33,250	47,500	14,250	2,975	4,260	1,285	15,535
337,500	677,300	339,800	546,684	443,650	(103,034)	236,766

Notes to the Financial Statements

Name of Premises	Land Extent (Perches)	Building (Square feet)	Date of valuation	Valuer	Basis of Valuation
Panadura Branch					
4, Super Grade Branch, Susantha Mawatha, Panadura	80.00	11,336	30.11.2020	K D Tissera	Contractor's Method
Panadura City Branch (Land)					
17/3D, Jayathilake Mawatha, Panadura	36.00	7,764	30.11.2020	A G Gunaratna	Cost Approach
Wadduwa Branch					
557A, Galle Road, Wadduwa	29.00	-	30.11.2020	B K Dayaratne	Contractor's Method
Wellawatte Branch					
149, Galle Road, Colombo 6	51.25	15,832	30.11.2020	A G Gunaratna	Cost Approach
Holiday Homes and Rests					
Badulla Fernham Bungalow and Property					
153, Spring Valley Road, Badulla	222.25	-	31.12.2020	R H Jayawardana	Contractor's Method
Bandarawela Holiday Home					
Bandarawela	115.00	3,100	31.12.2020	R H Jayawardana	Contractor's Method
Dickoya Upper Glencarn Bungalow					
Dickoya	189.65	8,799	31.12.2020	R H Jayawardana	Contractor's Method
Dickoya lower Glencarn Bungalow					
Dickoya	100.00	-	31.12.2020	R H Jayawardana	Contractor's Method
Haputale Woodland Bungalow (Land)					
Haputale	135.00	3,082	31.12.2020	R H Jayawardana	Contractor's Method
Jaffna Bank Rest Holiday Home (Land)					
34-34/3, Rasavinthoddam road, Jaffna	269.83	-	30.11.2020	K T D Tissera	Market Value
Kandy Holiday Home					Contractor's Principles and Comparison Method
18/5, Dangolla Road, Getambe	39.00	3,600	30.11.2020	U Rajapaksha	
Lindula Ridge Holiday Home					
Lindula	175.00	3,072	31.12.2020	R H Jayawardana	Contractor's Method
Nuwara Eliya Holiday Home					
16, Hill Street, Nuwara Eliya	35.27	2,715	31.12.2020	R H Jayawardana	Contractor's Method
Cey Bank Rest Nuwara Eliya (Phase 1)					
12, Hill Street, Nuwara Eliya	67.54	3,335	31.12.2020	R H Jayawardana	Contractor's Method
Others					
Colombo 7 - GM's Bungalow					
75, Ananda Kumaraswamy Mawatha, Colombo 7	79.80	6,380	30.11.2020	A G Gunaratna	Cost approach
Colombo Darly Road Stores					
Browns Building.					
481, T B Jayah Mawatha, Colombo 10	151.00	26,209	30.11.2020	W D P Rupananda	Contractor's Method
Colombo World Trade Centre					
08, 8-2/1, Bank of Ceylon Mawatha, Colombo 01	-	6,347	30.11.2020	K T D Tissera	Rental Value Basis
BoC Merchant Tower (Formerly Walker's and Sons)					
28 St. Michael's Road, Cololmbo 03	57.00	-	30.11.2020	K T D Tissera	Comparable Basis
Grand Total					

Carrying value of Land LKR '000	Revalued Amount of Land LKR '000	Surplus/ (Loss) of Land LKR '000	Carrying value of Building LKR '000	Revalued Amount of Buildings LKR '000	Surplus/ (Loss) of Buildings LKR '000	Total Revaluation Surplus/ (Loss) LKR '000
140,000	360,000	220,000	28,264	25,000	(3,264)	216,736
36,000	63,000	27,000	82,317	69,553	(12,764)	14,236
40,600	58,000	17,400	-	-	-	17,400
281,875	530,000	248,125	62,841	48,176	(14,665)	233,460
2,330,144	3,676,365	1,346,221	1,238,289	1,197,132	(41,157)	1,305,064
20,000	22,225	2,225	-	-	-	2,225
14,400	23,000	8,600	6,674	10,291	3,617	12,217
7,400	12,616	5,216	23,304	24,430	1,126	6,342
6,000	15,000	9,000	-	-	-	9,000
14,861	21,000	6,139	5,808	7,917	2,109	8,248
86,250	121,424	35,174	-	-	-	35,174
48,999	31,200	(17,799)	7,448	13,500	6,052	(11,747)
4,300	8,750	4,450	11,321	9,090	(2,231)	2,219
53,000	85,750	32,750	7,840	7,126	(714)	32,036
91,000	168,850	77,850	13,875	12,121	(1,754)	76,096
346,210	509,815	163,605	76,270	84,475	8,205	171,810
798,000	1,436,400	638,400	43,113	13,600	(29,513)	608,887
1,200,000	1,600,000	400,000	22,264	35,000	12,736	412,736
-	-	-	328,530	374,912	46,382	46,382
456,690	600,000	143,310	-	-	-	143,310
2,454,690	3,636,400	1,181,710	393,907	423,512	29,605	1,211,315
13,664,393	19,911,607	6,247,214	3,596,445	4,212,318	615,873	6,863,087

Notes to the Financial Statements

34 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 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 (eg; 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	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Right of Use Assets/ Leasehold Properties	6,211,376	4,794,183	4,441,823	2,864,824
Less: Accumulated amortisation	3,002,497	1,314,246	1,798,137	677,202
Net book value of right of use assets/ leasehold properties	3,208,879	3,479,937	2,643,686	2,187,622

Movement of Right of Use Assets/ Leasehold Properties

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Cost				
Balance as at 1 January	4,794,183	129,179	2,864,824	195,412
Effect of adoption of SLFRS 16 as at 1 January 2019	-	4,546,721	-	2,005,305
Additions during the year	1,417,193	118,283	1,574,563	664,107
Adjustments/ Transfers	-	-	2,436	-
Balance as at 31 December	6,211,376	4,794,183	4,441,823	2,864,824
Accumulated amortisation				
Balance as at 1 January	1,314,246	30,280	677,202	64,912
Amortisation during the year	1,688,251	1,283,966	1,120,935	612,290
Balance as at 31 December	3,002,497	1,314,246	1,798,137	677,202
Net book value as at 31 December	3,208,879	3,479,937	2,643,686	2,187,622

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.

34.1 Lease Liability

Carrying amounts of lease liabilities included under "Other liabilities"-(Note 46) and the movement during the year is as follows;

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	3,038,363	-	1,147,303	20,605
Effect of adoption of SLFRS 16 as at 1 January 2019	-	4,546,721	-	2,005,305
Restated Balance as at 1 January	3,038,363	4,546,721	1,147,303	2,025,910
Additions	1,414,196	103,155	1,536,474	28,906
Accretion of interest	501,445	356,196	392,294	230,196
Payments	(1,808,995)	(1,967,709)	(1,082,655)	(1,137,709)
Balance as at 31 December	3,145,009	3,038,363	1,993,416	1,147,303

34.1.1 Maturity Analysis of Lease Liability

	Bank		Group	
	2020	2019	2020	2019
As at 31 December	LKR '000	LKR '000	LKR '000	LKR '000
Less than 1 year	563,893	1,337,779	357,415	505,153
1 to 5 years	1,787,997	1,485,327	1,133,295	560,868
More than 5 years	793,119	215,257	502,706	81,282
Total lease liability	3,145,009	3,038,363	1,993,416	1,147,303

Notes to the Financial Statements

34.2 Sensitivity Factors Used to Calculate Right of Use Asset/ Lease Liability

Sensitivity		Sensitivity Effect on Right of Use Asset	Sensitivity Effect on Lease Liability	Sensitivity Effect on Profit Before Tax
		LKR '000	LKR '000	LKR '000
Incremental Borrowing Rate	+1%	(63,733)	(51,920)	(4,715)
	-1%	66,667	54,135	5,036
Lease Term	Increased by 1 Year	1,545,510	1,672,733	(61,715)

35 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	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Cost				
Balance as at 1 January	3,660,565	3,343,082	4,256,858	3,929,772
Additions during the year	367,195	317,483	401,078	394,389
Derecognised during the year	-	-	(293)	(69,667)
Exchange rate adjustment	-	-	13,878	4,683
Adjustments/ Transfers	-	-	(10,719)	(2,319)
Balance as at 31 December	4,027,760	3,660,565	4,660,802	4,256,858
Accumulated amortisation				
Balance as at 1 January	2,571,103	2,142,441	2,932,545	2,510,687
Amortisation during the year	479,148	430,760	531,323	583,874
Derecognised during the year	-	-	-	(57,354)
Exchange rate adjustment	-	-	11,709	5,045
Adjustments/ Transfers	-	(2,098)	-	(109,707)
Balance as at 31 December	3,050,251	2,571,103	3,475,577	2,932,545
Computer software under development	43,372	37,545	43,372	37,545
Net book value as at 31 December	1,020,881	1,127,007	1,228,597	1,361,858

35.1 Fully Amortised Intangible Assets

The initial cost of fully amortised intangible assets which are still in use are as follows;

	Bank		Group	
As at 31 December	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Computer software	1,851,374	1,449,350	1,958,249	1,460,305
Total fully amortised intangible assets	1,851,374	1,449,350	1,958,249	1,460,305

36 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.

Notes to the Financial Statements

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 17.2).

36.1 Bank

As at 31 December	2020				2019			
	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	-	(3,011,424)	99,623	(3,007,330)	-	(103,717)	(12,842)	(16,379)
Revaluation of Property, Plant and Equipment	-	6,395,904	(19,571)	1,941,235	-	4,474,240	-	-
Investment in financial instruments	-	651,544	-	111,635	-	539,909	-	224,638
Temporary difference for impairment	-	(4,718,934)	(1,132,948)	-	-	(3,585,986)	(123,709)	-
Other temporary differences	-	1,606,372	(1,661,203)	-	-	3,267,575	(553,213)	-
Total	-	923,462	(2,714,099)	(954,460)	-	4,592,021	(689,764)	208,259

36.2 Group

As at 31 December	2020				2019			
	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	(84,457)	(3,023,025)	102,984	(3,020,118)	-	(190,348)	2,042	(34,000)
Revaluation of Property, Plant and Equipment	62,380	8,610,698	(982,204)	2,176,773	-	7,478,509	-	221,448
Investment in financial instruments	-	651,544	-	111,635	-	539,909	-	224,638
Temporary difference of provision for impairment	(122,296)	(4,718,934)	(1,233,730)	-	-	(3,607,500)	120,708	-
Other temporary differences	67,500	1,785,514	(597,346)	-	(511,936)	2,962,296	(1,623,069)	-
Total	(76,873)	3,305,797	(2,710,296)	(731,710)	(511,936)	7,182,866	(1,500,319)	412,086

37 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 47 - “Employee Retirement Benefit Plans”.

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Consumable stock in hand	686,401	694,815	703,968	740,455
Prepaid staff cost	15,128,454	15,230,411	15,128,454	15,230,411
Cheques in transit - Local	1,053,547	1,646,526	1,053,547	1,646,526
Cheques in transit - Foreign	7,550	21,370	7,550	21,370
Tax recoverable [Note 44]	-	1,172,018	10,388	1,182,389
Gold bullion and coins in hand	47,495	125,714	47,495	125,714
Net employee benefit asset [Note 47]	13,318,122	13,475,453	13,318,122	13,475,453
Other	20,051,430	30,214,095	20,919,953	31,503,742
Total other assets	50,292,999	62,580,402	51,189,477	63,926,060

38 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	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Deposits from other banks	1,963,629	1,324,470	1,963,629	1,324,470
Bank overdrafts	438,414	1,344,937	664,805	1,608,480
Total due to banks	2,402,043	2,669,407	2,628,434	2,932,950

Notes to the Financial Statements

39 Securities Sold Under Repurchase Agreements

Accounting Policy

Securities sold under repurchase agreements at a specified future date are not derecognised from the Statement of Financial Position as the Group retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the Statement of Financial Position as an asset with a corresponding obligation to return it, including accrued interest as a liability within "Other borrowings" (Note 42), 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	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
With Banks	10,559,996	7,333,289	10,486,173	8,030,586
With Customers	46,546,656	26,849,921	47,211,607	26,849,921
Total securities sold under repurchase agreements	57,106,652	34,183,210	57,697,780	34,880,507

40 Derivative Financial Instruments

Accounting Policy

Derivative financial instruments include contracts which are entered by the Bank that are not designated as hedging instruments in hedge relationships as per the Sri Lanka Accounting Standard –SLFRS 9 on "Financial Instruments".

Derivatives are recorded at fair value and carried as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in "Net gains/ (losses) from trading" (Note 10) in Statement of Profit or Loss.

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Foreign Currency Derivatives				
Forward exchange contracts	16,192	1,070	16,192	1,070
Currency SWAPs	85,990	105,607	85,990	105,607
Total derivative financial instruments	102,182	106,677	102,182	106,677

41 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.

41.1 By Product

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Local currency deposits				
Demand deposits	137,045,468	103,815,364	136,886,276	103,681,039
Savings deposits	582,379,867	411,614,032	583,280,576	412,461,931
Time deposits	1,195,753,018	1,000,720,894	1,212,137,999	1,018,434,307
Other deposits	4,019,586	2,038,367	4,024,106	2,042,887
Total local currency deposits	1,919,197,939	1,518,188,657	1,936,328,957	1,536,620,164
Foreign currency deposits				
Demand deposits	28,108,479	29,604,754	28,716,661	30,671,680
Savings deposits	110,117,781	91,337,588	110,573,639	91,720,706
Time deposits	416,595,373	364,794,113	416,735,118	364,904,801
Other deposits	755,916	1,286,682	755,916	1,286,682
Total foreign currency deposits	555,577,549	487,023,137	556,781,334	488,583,869
Total deposits	2,474,775,488	2,005,211,794	2,493,110,291	2,025,204,033

41.2 By Currency

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Sri Lankan Rupee (LKR)	1,919,197,939	1,518,188,657	1,936,328,957	1,536,620,164
United States Dollar (USD)	480,475,765	422,581,009	480,487,512	422,596,239
Great Britain Pound (GBP)	36,379,798	33,573,746	37,563,665	35,108,654
Maldivian Rufiyaa (MVR)	9,175,711	7,230,024	9,175,711	7,230,024
Seychellois Rupee (SCR)	1,116,521	1,503,717	1,116,521	1,503,717
Euro (EUR)	9,284,862	8,219,185	9,293,033	8,229,779
Australian Dollar (AUD)	9,067,676	7,501,525	9,067,676	7,501,525
Indian Rupee (INR)	5,188,852	4,625,119	5,188,852	4,625,119
Others	4,888,364	1,788,812	4,888,364	1,788,812
Total deposits	2,474,775,488	2,005,211,794	2,493,110,291	2,025,204,033

Note : The maturity analysis of deposits is given in Note 58.

Notes to the Financial Statements

42 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	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Call borrowings from banks and other financial institutions in Sri Lanka	15,001,869	-	18,431,963	1,797,286
Term borrowings from banks abroad	116,583,345	96,433,248	117,159,397	99,215,953
Term borrowings from banks and other financial institutions in Sri Lanka	24,617,993	36,736,544	24,829,775	39,418,272
Refinance borrowings	24,680,920	4,663,751	24,680,920	4,663,751
Total other borrowings	180,884,127	137,833,543	185,102,055	145,095,262

43 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.

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Senior debentures [Not 43.1]	-	-	2,107,493	2,107,810
Total debt securities issued	-	-	2,107,493	2,107,810

Note: The maturity analysis of debt securities issued is given in note 58.

43.1 Senior Debentures

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Listed debentures				
Unsecured, redeemable debentures of LKR 100 each	-	-	2,107,493	2,107,810
Total debt securities issued	-	-	2,107,493	2,107,810

43.2 Movement in Senior Debentures

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	-	-	2,107,810	4,105,681
Issued during the year	-	-	-	-
Redemptions	-	-	-	(1,999,123)
Amortisation adjustments	-	-	(317)	1,252
Balance as at 31 December	-	-	2,107,493	2,107,810

43.3 Senior Debentures

					Coupon rate		Amount as at 31 December			
							Bank		Group	
Notes	Interest payable frequency	Issue date	Maturity date		2020	2019	2020	2019	2020	2019
					%	%	LKR '000	LKR '000	LKR '000	LKR '000
Fixed Interest Rate										
Unsecured, redeemable debentures	(a) Annually	12.05.2017	03.05.2022		15.00	15.00	-	-	884,981	885,298
Unsecured, redeemable debentures	(a) Semi annually	12.05.2017	03.05.2022		14.50	14.50	-	-	1,220,257	1,221,479
Unsecured, redeemable debentures	(a) Semi annually	12.05.2017	03.05.2022		13.89	13.89	-	-	2,255	1,033
Total debt securities issued							-	-	2,107,493	2,107,810

Notes : (a) Debentures that are listed in Colombo Stock Exchange.

Notes to the Financial Statements

44 Current Tax Liabilities/ (Assets)

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	(1,172,018)	3,922,189	(1,043,712)	4,028,504
Current tax expense	8,500,848	7,276,956	8,649,043	8,428,553
Payments during the year	(5,158,415)	(10,870,994)	(5,361,254)	(11,174,355)
Double tax relief and tax credit	(1,090,736)	(1,767,474)	(1,142,142)	(2,593,718)
Adjustments	(487,956)	267,305	(337,064)	(267,304)
Closing balance at 31 December	591,723	(1,172,018)	764,871	(1,043,712)
Current tax assets	-	-	(10,388)	(1,182,389)
Current tax liabilities	-	-	775,259	138,677
Current tax liabilities/ (assets)	-	-	764,871	(1,043,712)

The current tax assets of the Group LKR 10.4 million (2019 - 1,182.4 million) recorded under Note 37- "Other Assets".

45 Insurance Contract Liabilities

Accounting Policy

Life Insurance Contract Liabilities

These liabilities are measured by using the gross premium valuation method as prescribed by the Regulation of Insurance Industry Act. No. 43 of 2000. The liability is determined as the discounted value of the expected contractual cash outflows less the discounted value of the expected premiums. Valuation assumptions are derived based on the best estimate experience with a prescribed risk margin to allow for adverse deviations.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using a liability adequacy test.

Liability Adequacy Test (LAT)

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4 - "Insurance Contracts". The liability value is adjusted to the extent that it is adequate to meet future benefits and expenses.

Any deficiency is recognised in the Statement of Profit or Loss by setting up a provision for liability adequacy.

Non-Life Insurance Contract Liabilities

Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

Liability Adequacy Test (LAT)

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income. At each reporting date the company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums.

This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of comprehensive income by setting up a provision for liability adequacy.

45.1 Insurance Provision - Life

	Group	
	2020	2019
	LKR '000	LKR '000
Balance as at 1 January	511,091	575,625
Increase/ (Decrease) in life fund	(67,159)	(110,923)
Fair value reserve	2,614	1,658
Unclaimed benefits	52,221	44,731
Balance as at 31 December	498,767	511,091

45.2 Insurance Provision - Non Life

	Group	
	2020	2019
	LKR '000	LKR '000
As at 31 December		
Provision for reported claims by policy holders	333,546	308,044
Provision for claims on Incurred But Not Reported (IBNR)	18,196	5,917
Outstanding claims provision	351,742	313,961
Provision for unearned premiums	137,042	44,543
Total insurance provision - Non life	488,784	358,504

46 Other Liabilities

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
As at 31 December				
Cheques sent on clearing	404,821	434,397	404,821	434,397
Lease creditors				
Within 12 months	563,893	1,337,779	357,415	505,153
Later than 12 months	2,581,116	1,700,584	1,636,001	642,150
Net employee benefit liabilities [Note 47]	24,674,841	15,657,486	25,119,582	16,012,626
Others	16,673,957	14,885,442	17,854,903	17,163,718
Total other liabilities	44,898,628	34,015,688	45,372,722	34,758,044

Notes to the Financial Statements

47 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	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Net Employee Benefit Liabilities				
Bank of Ceylon Pension Trust Fund [Note 47.1.3]	23,392,461	14,685,437	23,392,461	14,685,437
Provision for terminal gratuity [Note 47.3]	479,163	370,415	923,904	725,555
Provision for encashment of medical leave [Note 47.5]	803,217	601,634	803,217	601,634
Total net employee benefit liabilities	24,674,841	15,657,486	25,119,582	16,012,626
Net Employee Benefit Assets				
Bank of Ceylon Widows'/ Widowers' and Orphans' Pension Fund [Note 47.2.3]	9,915,229	10,452,943	9,915,229	10,452,943
Bank of Ceylon Pension Fund-2014 [Note 47.4.3]	3,402,893	3,022,510	3,402,893	3,022,510
Total net employee benefit assets	13,318,122	13,475,453	13,318,122	13,475,453

47.1 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 2020 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". 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;

47.1.1 Net Benefit Expense (Recognised Under Personnel Expenses)

For the year ended 31 December	Bank/ Group	
	2020	2019
	LKR '000	LKR '000
Current service cost	192,127	199,223
Net interest expenses	1,468,544	512,490
Net benefit expense	1,660,671	711,713

47.1.2 Amount Recognised in Other Comprehensive Income

For the year ended 31 December	Bank/ Group	
	2020	2019
	LKR '000	LKR '000
Actuarial (gains)/ losses on the defined benefit obligation	8,108,360	6,796,014
Actuarial (gains)/ losses on plan assets	(625,020)	3,489,582
Net actuarial (gains)/ losses recognised in other comprehensive income	7,483,340	10,285,596

47.1.3 Net Retirement Benefit Liability

As at 31 December	Bank/ Group	
	2020	2019
	LKR '000	LKR '000
Fair value of plan assets [Note 47.1.4]	54,332,752	55,185,018
Defined benefit obligation [Note 47.1.5]	77,725,213	69,870,455
Net retirement benefit liability	23,392,461	14,685,437

47.1.4 Changes in Fair Value of Plan Assets

	Bank/ Group	
	2020	2019
	LKR '000	LKR '000
Balance as at 1 January	55,185,018	58,455,386
Expected return	5,518,502	7,014,646
Contribution by Employer	436,986	582,619
Benefits paid	(7,432,774)	(7,378,051)
Actuarial gains/ (losses) on plan assets	625,020	(3,489,582)
Balance as at 31 December	54,332,752	55,185,018

Notes to the Financial Statements

47.1.5 Changes in the Present Value of the Defined Benefit Obligation

	Bank/ Group	
	2020	2019
	LKR '000	LKR '000
Balance as at 1 January	69,870,455	62,726,133
Interest cost	6,987,046	7,527,136
Current service cost	192,127	199,223
Benefits paid	(7,432,775)	(7,378,051)
(Gains)/ Losses due to change in assumptions	8,161,892	6,312,332
Actuarial (gains)/ losses on obligation	(53,532)	483,682
Balance as at 31 December	77,725,213	69,870,455

The present value of the Defined Benefit Obligation as of the valuation date with respect to active employees and pensioners are LKR 6,013.8 million and LKR 71,711.4 million respectively.

47.1.6 Plan Assets Consist of the Following:

As at 31 December	Bank/ Group	
	2020	2019
	LKR '000	LKR '000
Fixed deposits	27,601,390	24,446,353
Treasury bonds	4,521,596	5,450,916
Debentures	17,502,680	19,753,122
Investment in shares	4,308,714	5,172,123
Others	398,372	362,504
Total plan assets	54,332,752	55,185,018

47.1.7 Actuarial Assumptions

	Bank/ Group	
	2020	2019
	%	%
Future salary increment rate	6.5 p.a	6.5 p.a
Increase in future Cost of Living Allowance (COLA)	3.5 p.a	4.5 p.a
Increase in pension in payment (Basic)	Nil	Nil
Discount rate	7.9 p.a	10.0 p.a
Attrition rate	Nil	Nil

The Bank uses IALM (2006-2008) Ultimate Mortality Table issued by the Institute of Actuaries of India.

Increase/ decrease in the following assumptions will change the present value of defined benefit obligation as illustrated below;

	Bank/ Group	
	0.5% increase	0.5% decrease
	LKR '000	LKR '000
Discount rate	74,813,821	80,844,844
Salary increment	77,799,403	77,652,710
Cost of Living Allowance	79,535,100	76,030,918

Further, the remaining years of benefit payments are expected to be 8.83 years.

The following payments are expected from the Pension Trust Fund in future years.

As at 31 December	Bank/ Group	
	2020	2019
	LKR '000	LKR '000
Within the next 12 months	7,046,675	6,882,922
Between 1 and 5 years	28,795,774	27,079,402
Between 5 and 10 years	19,354,371	17,231,607
Beyond 10 years	22,528,393	18,676,524
Total expected payments	77,725,213	69,870,455

47.2 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 2020 was carried out by Messrs Actuarial and 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 summarized as follows:

Notes to the Financial Statements

47.2.1 Net Benefit Expense (Recognised Under Personnel Expenses)

For the year ended 31 December	Bank/ Group	
	2020	2019
	LKR '000	LKR '000
Current service cost	12,555	12,385
Net interest income	(1,060,974)	(1,287,337)
Net benefit expense / (income)	(1,048,419)	(1,274,952)

47.2.2 Amount Recognised in Other Comprehensive Income

For the year ended 31 December	Bank/ Group	
	2020	2019
	LKR '000	LKR '000
Actuarial (gains)/ losses on the defined benefit obligation	2,096,648	1,726,685
Actuarial (gains)/ losses on plan assets	(446,083)	92,263
Actuarial (gains)/ losses on actuarial valuation	1,650,565	1,818,948

47.2.3 Retirement Benefit Assets

As at 31 December	Bank/ Group	
	2020	2019
	LKR '000	LKR '000
Fair value of plan assets [Note 47.2.4]	27,898,687	25,813,906
Defined benefit obligation [Note 47.2.5]	(17,983,458)	(15,360,963)
Retirement benefit assets	9,915,229	10,452,943

47.2.4 Changes in Fair Value of Plan Assets

	Bank/ Group	
	2020	2019
	LKR '000	LKR '000
Balance as at 1 January	25,813,906	23,758,826
Expected return	2,620,111	2,851,059
Contribution paid in to plan	64,432	79,136
Contribution by Employer	-	190,000
Benefits paid	(1,045,845)	(972,852)
Actuarial gains/ (losses) on plan asset	446,083	(92,263)
Balance as at 31 December	27,898,687	25,813,906

47.2.5 Changes in the Present Value of the Defined Benefit Obligation

	Bank/ Group	
	2020	2019
	LKR '000	LKR '000
Balance as at 1 January	15,360,963	13,031,024
Interest cost	1,559,137	1,563,723
Current service cost	12,555	12,385
Benefits paid	(1,045,845)	(972,854)
Actuarial (gains)/ losses on obligation	184,741	280,404
(Gains)/ Losses due to change in assumptions	1,911,907	1,446,281
Balance as at 31 December	17,983,458	15,360,963

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 387.5 million, LKR 6,839.5 million and LKR 10,756.5 million respectively.

47.2.6 Plan Assets Consist of the Following:

	Bank/ Group	
	2020	2019
	LKR '000	LKR '000
As at 31 December		
Fixed deposits	25,660,349	23,010,522
Treasury bonds	-	649,220
Debentures	2,238,218	2,153,448
Others	120	716
Total plan assets	27,898,687	25,813,906

47.2.7 Actuarial Assumptions

	Bank/ Group	
	2020	2019
	%	%
Future salary increment rate	6.5 p.a	6.5 p.a
Increase in future Cost of Living Allowance (COLA)	3.5 p.a	4.5 p.a
Increase in widows'/ widowers' and orphans' pension in payment (Basic)	Nil	Nil
Discount rate	8.25 p.a	10.2 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	17,086,106	18,960,372
Salary increment	17,986,346	17,980,634
Cost of Living Allowance	18,716,651	17,307,234

Further, the remaining years of benefit payments are expected to be 10.86 years.

The following payments are expected from the fund in future years.

As at 31 December	Bank/ Group	
	2020	2019
	LKR '000	LKR '000
Within the next 12 months	1,066,874	983,629
Between 1 and 5 years	4,885,308	4,384,140
Between 5 and 10 years	4,086,831	3,518,636
Beyond 10 years	7,944,445	6,474,558
Total expected payments	17,983,458	15,360,963

47.3 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 2020 was carried out by Messrs Actuarial and Management Consultant (Pvt) Limited.

The valuation has been done using the "Projected Unit Credit Method", which is recommended in the Sri Lanka Accounting Standard -LKAS 19 "Employee Benefits".

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	370,415	266,057	725,555	596,651
Provision charge/ (reversal) during the year	81,196	66,517	151,220	133,491
Actuarial (gains)/ losses	50,165	58,495	102,458	96,334
Payments made during the year	(22,613)	(20,654)	(57,313)	(85,139)
Adjustment/ transfers	-	-	1,984	(15,782)
Balance as at 31 December	479,163	370,415	923,904	725,555

The principal actuarial assumptions used in the valuation were as follows;

	Bank/ Group	
	2020	2019
	%	%
Future salary increment rate	6.5 p.a	6.5 p.a
Increase in future Cost of Living Allowance (COLA)	3.5 p.a	4.5 p.a
Discount rate	8.25 p.a	10.1 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 11.30 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	453,135	507,486	870,851	975,305
Salary increment	501,453	458,557	963,711	881,272

Notes to the Financial Statements

47.4 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 2020 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". The results of the actuarial valuation of this Pension Fund is summarised as follows;

47.4.1 Net Benefit Expense (Recognised Under Personnel Expenses)

For the year ended 31 December	Bank/ Group	
	2020	2019
	LKR '000	LKR '000
Current service cost	685,489	525,207
Net interest income	(323,409)	(331,646)
Net benefit expense	362,080	193,561

47.4.2 Amount Recognised in Other Comprehensive Income

For the year ended 31 December	Bank/ Group	
	2020	2019
	LKR '000	LKR '000
Actuarial (gains)/ losses on the defined benefit obligation	691,949	193,866
Actuarial (gains)/ losses on plan assets	(455,820)	274,009
Net actuarial (gains)/ losses recognised in other comprehensive income	236,129	467,875

47.4.3 Retirement Benefit Assets

As at 31 December	Bank/ Group	
	2020	2019
	LKR '000	LKR '000
Fair value of plan assets	10,940,840	8,637,786
Defined benefit obligation	(7,537,947)	(5,615,276)
Net retirement benefit assets	3,402,893	3,022,510

47.4.4 Changes in Fair Value of Plan Assets

	Bank/ Group	
	2020	2019
	LKR '000	LKR '000
Balance as at 1 January	8,637,786	7,138,966
Expected return	924,243	856,676
Contribution by Employer	978,592	920,228
Benefits paid	(55,601)	(4,075)
Actuarial gains/ (losses) on plan asset	455,820	(274,009)
Balance as at 31 December	10,940,840	8,637,786

47.4.5 Changes in Present Value of the Defined Benefit Obligation

	Bank/ Group	
	2020	2019
	LKR '000	LKR '000
Balance as at 1 January	5,615,276	4,375,248
Interest cost	600,834	525,030
Current service cost	685,489	525,207
Benefits paid	(55,601)	(4,075)
Actuarial (gains)/ losses on obligation	(71,535)	(688,840)
(Gains)/ losses due to change in assumptions	763,484	882,706
Balance as at 31 December	7,537,947	5,615,276

The present value of the Defined Benefit Obligation as of the valuation date with respect to active employees and pensioners are LKR 7,490.0 million and LKR 47.9 million respectively.

47.4.6 Plan Assets Consist of the Following

	Bank/ Group	
	2020	2019
As at 31 December	LKR '000	LKR '000
Fixed deposits	6,863,930	4,700,007
Debentures	4,075,948	3,936,431
Others	962	1,348
Total plan assets	10,940,840	8,637,786

Notes to the Financial Statements

47.4.7 Actuarial Assumptions

	Bank/ Group	
	2020	2019
	%	%
Future salary increment rate	6.5 p.a	6.5 p.a
Increase in future Cost of Living Allowance (COLA)	3.5 p.a	4.5 p.a
Increase in pension in payment (Basic)	Nil	Nil
Discount rate	8.75 p.a	10.7 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	6,656,229	8,561,124
Salary increment	8,055,726	6,978,999
Cost of Living Allowance	7,656,711	7,339,814

Further, the remaining years of benefit payments are expected to be 27.26 years.

The following payments are expected from the Pension Fund in future years.

As at 31 December	Bank/ Group	
	2020	2019
	LKR '000	LKR '000
Within the next 12 months	6,181	5,650
Between 1 and 5 years	90,221	65,150
Between 5 and 10 years	362,545	248,776
Beyond 10 years	7,079,000	5,295,700
Total expected payments	7,537,947	5,615,276

47.5 Provision for encashment of medical leave

	Bank/ Group	
	2020	2019
	LKR '000	LKR '000
Balance as at 1 January	601,634	491,709
Provision charge/ (reversal) during the year	60,765	59,005
Actuarial (gain)/ losses	174,714	114,653
Payments made during the year	(33,896)	(63,733)
Balance as at 31 December	803,217	601,634

The principal actuarial assumptions used in the valuation were as follows;

	Bank/ Group	
	2020	2019
	%	%
Future salary increment rate	6.5 p.a	6.5 p.a
Increase in future Cost of Living Allowance (COLA)	3.5 p.a	4.5 p.a
Discount rate	8.5 p.a	10.1 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 18.24 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
	LKR '000	LKR '000
Discount rate	738,941	875,035
Salary increment	860,294	751,830

Notes to the Financial Statements

48 Subordinated Liabilities

Accounting Policy

Subordinated liabilities include funds borrowed for long term funding purposes which are subordinated to other claims. These are initially recognised at fair value. Subsequent to initial recognition, subordinated liabilities are measured at their amortised cost, using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in "Interest Expenses" (Note 8.2) in the Statement of Profit or Loss.

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Listed debentures				
Unsecured, subordinated, redeemable debentures of LKR 100 each	17,246,663	22,138,937	17,236,653	22,128,927
Unlisted debentures				
Unsecured, subordinated, redeemable debentures of LKR 100 each (private placement)	32,092,568	32,082,615	32,092,568	32,082,615
Additional Tier I capital bond				
Unsecured, subordinated, perpetual capital bonds of LKR 100 each (private placement)	15,298,176	-	15,298,176	-
Total subordinated term debts	64,637,407	54,221,552	64,627,397	54,211,542

48.1 The Movement in Subordinated Liabilities

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	54,221,552	50,827,239	54,211,542	50,484,487
Issued during the year	15,000,000	9,210,000	15,000,000	9,210,000
Redemptions during the year	(4,779,196)	(6,166,475)	(4,779,196)	(5,833,733)
Amortisation adjustments	195,051	350,788	195,051	350,788
Balance as at 31 December	64,637,407	54,221,552	64,627,397	54,211,542

48.2 Type of Debentures

	Notes	Interest payable frequency	Issue date	Maturity date	Coupon rate		Amount as at 31 December			
							Bank		Group	
					2020	2019	2020	2019	2020	2019
					%	%	LKR '000	LKR '000	LKR '000	LKR '000
Fixed Interest Rate										
Listed, unsecured, subordinated, redeemable debentures	(a)	Annually	25.10.2013	24.10.2021	13.25	13.25	1,226,594	1,226,594	1,226,594	1,226,594
Listed, unsecured, subordinated, redeemable debentures	(a)	Annually	25.10.2013	24.10.2022	13.25	13.25	1,227,617	1,227,617	1,227,617	1,227,617
Listed, unsecured, subordinated, redeemable debentures	(a)	Annually	25.10.2013	24.10.2023	13.75	13.75	1,638,142	1,638,142	1,638,142	1,638,142
Listed, unsecured, subordinated, redeemable debentures	(a)	Annually	22.09.2014	21.09.2022	8.25	8.25	1,873,793	1,873,793	1,873,793	1,873,793
Listed, unsecured, subordinated, redeemable debentures	(a)	Annually	06.10.2015	05.10.2020	-	8.25	-	293,991	-	293,991
Listed, unsecured, subordinated, redeemable debentures	(a)	Quarterly	06.10.2015	05.10.2020	-	8.00	-	12,449	-	12,449
Listed, unsecured, subordinated, redeemable debentures	(a)	Annually	06.10.2015	05.10.2023	9.50	9.50	1,205,580	1,205,580	1,205,580	1,205,580
Listed, unsecured, subordinated, redeemable debentures	(a)	Annually	29.12.2016	28.12.2021	13.25	13.25	8,003,631	8,003,631	7,993,621	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	5,004,843	5,003,228	5,004,843	5,003,228
Unlisted, unsecured, subordinated, redeemable debentures		Annually	29.12.2017	28.12.2025	12.75	12.75	5,004,934	5,003,289	5,004,934	5,003,289
Unlisted, unsecured, subordinated, redeemable debentures		Annually	31.07.2018	30.07.2026	12.00	12.00	7,028,208	7,026,114	7,028,208	7,026,114
Unlisted, unsecured, subordinated, redeemable debentures		Annually	03.12.2018	02.12.2023	12.00	12.00	5,347,957	5,346,308	5,347,957	5,346,308
Unlisted, unsecured, subordinated, redeemable debentures		Annually	27.06.2019	26.06.2024	11.75	11.75	3,176,666	3,175,700	3,176,666	3,175,700
Unlisted, unsecured, subordinated, redeemable debentures		Annually	17.07.2019	16.07.2024	11.80	11.80	1,104,102	1,103,765	1,104,102	1,103,765
Unlisted, unsecured, subordinated, redeemable debentures		Annually	18.07.2019	17.07.2024	11.80	11.80	2,315,186	2,314,479	2,315,186	2,314,479
Unlisted, unsecured, subordinated, redeemable debentures		Annually	23.07.2019	22.07.2024	11.80	11.80	2,626,817	2,626,021	2,626,817	2,626,021
Unlisted, unsecured, subordinated, redeemable debentures		Annually	24.07.2019	23.07.2024	11.50	11.50	419,674	419,549	419,674	419,549

Notes to the Financial Statements

	Notes	Interest payable frequency	Issue date	Maturity date	Coupon rate		Amount as at 31 December			
							Bank		Group	
					2020	2019	2020	2019	2020	2019
					%	%	LKR '000	LKR '000	LKR '000	LKR '000
Unlisted, unsecured, subordinated, redeemable debentures		Annually	26.07.2019	25.07.2027	11.75	11.75	64,181	64,162	64,181	64,162
Total fixed interest rate subordinated debentures							47,268,709	47,565,196	47,258,699	47,555,186
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	8.66	1,009	1,016	1,009	1,016
Listed, unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 50 basis points)	(a)/(b)	Semi annually	22.09.2014	21.09.2022	5.14	8.25	30	31	30	31
Listed, unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 125 basis points)	(a)/(b)	Semi annually	06.10.2015	05.10.2020	-	8.98	-	4,571,357	-	4,571,357
Listed, unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 125 basis points)	(a)/(b)	Semi annually	06.10.2015	05.10.2023	5.89	8.98	2,068,443	2,082,911	2,068,443	2,082,911
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	9.27	1,020	1,021	1,020	1,021
Listed, unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 125 basis points)	(a)/(b)	Semi annually	29.12.2016	28.12.2024	6.03	9.27	20	20	20	20
Total floating interest rate subordinated debentures							2,070,522	6,656,356	2,070,522	6,656,356
Additional Tier I capital bond										
Unlisted, unsecured, subordinated, perpetual capital bonds (12 months TB (net) rate plus 150 basis points with a Floor rate of 9.5%)	(c)	Annually	06.07.2020	N/A	9.50	-	5,226,897	-	5,226,897	-
Unlisted, unsecured, subordinated, perpetual capital bonds (Weighted average 12 months TB (net) rate plus 150 basis points with a Floor rate of 9.0%)	(c)	Annually	01.12.2020	N/A	9.00	-	10,071,279	-	10,071,279	-
Total Additional Tier I capital bonds							15,298,176	-	15,298,176	-
Total subordinated debentures							64,637,407	54,221,552	64,627,397	54,211,542

Notes :

- a) Debentures that are listed in the Colombo Stock Exchange. Some of these have been traded in the Colombo Stock Exchange during the year ended 31 December 2020.

2013/2021 - (Highest Price - LKR 100.00, Lowest Price - LKR 100.00, Last Transaction Price - LKR 100.00)

2015/2020 - (Highest Price - LKR 99.80, Lowest Price - LKR 99.80, Last Transaction Price - LKR 99.80)

2016/2021 - (Highest Price - LKR 103.74, Lowest Price - LKR 101.00, Last Transaction Price - LKR 103.74)

2016/2021 - (Highest Price - LKR 98.00, Lowest Price - LKR 98.00, Last Transaction Price - LKR 98.00)

- 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.

- c) The Bank issued LKR 15.0 billion worth of Basel III compliant, unlisted, unsecured, subordinated, perpetual Additional Tier 1 (AT1) capital bonds during the year 2020.

49 Share Capital

49.1 Ordinary Shares

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Authorised				
50,000,000 ordinary shares	50,000,000	50,000,000	50,000,000	50,000,000
Issued and fully paid				
Balance as at 1 January [25,000,000 (2019: 20,000,000) ordinary shares]	25,000,000	20,000,000	25,000,000	20,000,000
Share issued during the year [2019 - 5,000,000 ordinary shares]	-	5,000,000	-	5,000,000
Balance as at 31 December [25,000,000 ordinary shares]	25,000,000	25,000,000	25,000,000	25,000,000

49.2 Net Assets Value Per Share

As at 31 December	Bank		Group	
	2020	2019	2020	2019
Amount used as the numerator				
Total equity attributable to equity holder of the Bank (LKR '000)	156,659,383	142,282,737	167,689,027	153,210,562
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 share (LKR)	6,266.38	5,691.31	6,707.56	6,128.42

Notes to the Financial Statements

50 Permanent Reserve Fund

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	13,383,000	12,890,000	13,383,000	12,890,000
Transfers during the year	356,000	493,000	356,000	493,000
Balance as at 31 December	13,739,000	13,383,000	13,739,000	13,383,000

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 356.0 million was transferred to the permanent reserve during the year 2020 (2019 : LKR 493.0 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.

51 Retained Earnings

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	87,689,480	78,061,681	89,140,565	79,179,548
Total comprehensive income for the year	11,241,981	10,463,277	10,270,214	10,795,358
Transfers to other reserves	(351,103)	(489,068)	(351,103)	(487,931)
Dividend	(1,596,410)	(346,410)	(1,596,410)	(346,410)
Balance as at 31 December	96,983,948	87,689,480	97,463,266	89,140,565

52 Other Reserves

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
As at 31 December				
Revaluation reserve [Note 52.1]	16,681,190	11,694,338	24,853,005	19,287,824
Free reserve [Note 52.2]	169,067	169,067	366,644	366,644
Exchange translation reserve [Note 52.3]	2,381,822	2,370,251	3,335,020	3,101,761
Fair value through OCI reserve [Note 52.4]	1,704,356	1,976,601	2,573,148	2,571,824
Statutory reserve - other [Note 52.5]	-	-	358,944	358,944
Total other reserves	20,936,435	16,210,257	31,486,761	25,686,997

52.1 Revaluation Reserve

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	11,694,338	11,698,270	19,287,824	18,746,709
Change in revaluation surplus/ (deficit)	6,932,984	-	7,774,192	790,887
Deferred tax effect on above	(1,941,235)	-	(2,176,773)	(221,448)
Revaluation surplus of disposed property	(4,897)	(3,932)	(4,897)	(3,932)
Transferred to non-controlling interest	-	-	(27,341)	(24,392)
Balance as at 31 December	16,681,190	11,694,338	24,853,005	19,287,824

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.

52.2 Free Reserve

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	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.

52.3 Exchange Translation Reserve

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	2,370,251	2,512,612	3,101,761	3,157,000
Exchange differences on translation of foreign operations	11,571	(142,361)	233,259	(55,239)
Balance as at 31 December	2,381,822	2,370,251	3,335,020	3,101,761

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.

Notes to the Financial Statements

52.4 Fair Value through OCI Reserve

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	1,976,601	1,838,194	2,571,824	2,474,454
Net gains/ (losses) on investments in debt instruments measured at FVTOCI	114,650	76,949	137,205	79,550
Net (gains)/ losses on investments in financial assets at FVTOCI reclassification to profit or loss	(3,521)	231,126	(3,521)	231,126
Deferred tax effect on above	(19,946)	(80,282)	(19,946)	(80,282)
Change in fair value on investments in equity instruments designated at FVTOCI	(271,739)	54,970	(805)	14,446
Deferred tax effect on above	(91,689)	(144,356)	(91,689)	(144,356)
Transferred to non-controlling interest	-	-	(19,920)	(3,114)
Balance as at 31 December	1,704,356	1,976,601	2,573,148	2,571,824

52.5 Statutory Reserve - Other

	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	-	-	358,944	358,944
Balance as at 31 December	-	-	358,944	358,944

53 Non Controlling Interest

As at 31 December	Group	
	2020	2019
	LKR '000	LKR '000
Property Development PLC	258,002	236,321
Merchant Bank of Sri Lanka and Finance PLC	433,710	659,561
MBSL Insurance Company Limited	563,505	869,291
Hotels Colombo (1963) Limited	5	9
Koladeniya Hydropower (Private) Limited	12,565	19,905
Total non-controlling interest	1,267,787	1,785,087

54 Notes to the Statements of Cash Flows

54.1 Change in Operating Assets

For the year ended 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Change in deposits with regulatory authorities	21,242,584	11,085,935	21,242,584	11,085,935
Change in loans and advances to customers	(464,099,081)	(121,794,728)	(463,739,545)	(121,906,952)
Net (increase)/ decrease of financial assets measured at fair value through profit or loss	195,155	(795,451)	179,258	(1,486,776)
Net (increase)/ decrease in securities purchased under resale agreements and placements with Banks	17,038,894	(6,205,703)	20,157,226	(8,775,529)
Net (increase)/ decrease in derivative financial instruments	(416,836)	1,073,567	(416,836)	1,073,567
Change in other operating assets	12,056,490	(7,140,965)	13,392,978	(6,496,945)
Total	(413,982,794)	(123,777,345)	(409,184,335)	(126,506,700)

54.2 Change in Operating Liabilities

For the year ended 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Net increase/ (decrease) in deposits from banks	639,159	(222,267)	639,159	(222,267)
Net increase/ (decrease) in deposits from customers	454,814,133	228,719,884	453,156,697	229,762,601
Net increase/ (decrease) in securities sold under repurchase agreements	22,923,442	(63,216,149)	22,817,273	(62,542,795)
Net increase/ (decrease) in short term borrowings	15,595,195	5,011,412	19,025,289	7,486,156
Net increase/ (decrease) in derivative financial instruments	(4,495)	(402,341)	(4,495)	(402,341)
Change in other operating liabilities	2,755,011	6,419,749	1,821,472	6,022,600
Total	496,722,445	176,310,288	497,455,395	180,103,954

54.3 Other Non Cash Items Included in Profit Before Tax

For the year ended 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Gains/ (Losses) on revaluation of foreign exchange	(1,325,123)	401,604	(1,325,123)	401,604
Contribution paid to defined benefit plans	1,116,293	(250,053)	1,194,127	(154,976)
Impairment charges	31,232,178	18,597,725	32,032,073	18,719,243
Depreciation of investment property	117,673	117,072	2,906	2,906
Depreciation of Property, Plant and Equipment	1,969,456	1,874,304	2,735,988	2,626,836
Amortisation of intangible assets and leasehold properties	2,167,399	1,712,628	1,652,258	1,145,402
Accrual for expenses and other non cash items	4,685,995	893,810	4,686,559	1,250,553
Total	39,963,871	23,347,090	40,978,788	23,991,568

Notes to the Financial Statements

55 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	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Contingent liabilities [Note 55.1]	371,859,066	365,924,630	390,901,046	374,033,867
Undrawn and undisbursed facilities [Note 55.2]	193,504,041	130,185,074	193,800,369	130,351,632
Capital commitments [Note 55.3]	10,339,328	9,560,270	10,431,080	9,644,187
Lease commitments [Note 55.4]	4,746,435	2,547,987	4,775,574	2,603,293
Total contingent liabilities and commitments	580,448,870	508,217,961	599,908,069	516,632,979

55.1 Contingent Liabilities

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Acceptances and documentary credit	188,518,672	215,999,116	188,586,174	216,052,447
Bills for collection	20,100,204	20,291,631	20,100,204	20,291,631
Forward exchange contracts	10,601,807	5,212,914	10,601,807	5,212,914
Guarantees	124,846,871	101,124,860	125,046,318	101,243,188
Other commitments [Note 55.1.1]	27,791,512	23,296,109	46,566,543	31,233,687
Total contingent liabilities	371,859,066	365,924,630	390,901,046	374,033,867

55.1.1 Other Commitments

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	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	56,155	67,340	56,155	67,340
Currency Swaps	23,808,991	23,228,769	41,841,069	30,278,059
Other commitments	-	-	742,953	888,288
Total other commitments	27,791,512	23,296,109	46,566,543	31,233,687

55.2 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	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Undisbursed amount of loans	64,156,651	52,916,875	64,360,134	52,975,795
Undrawn limits of overdrafts	82,095,799	41,260,637	82,188,644	41,368,275
Undrawn limits of credit cards	10,411,203	10,041,613	10,411,203	10,041,613
Undrawn limits of letters of credit	17,819,300	18,323,563	17,819,300	18,323,563
Undrawn limits of letters of guarantee	19,021,088	7,642,386	19,021,088	7,642,386
Total undrawn and undisbursed facilities	193,504,041	130,185,074	193,800,369	130,351,632

55.3 Capital Commitments

Capital expenditure approved by the Directors, for which, no provision has been made in the Financial Statements, amounts to;

55.3.1 Capital Commitments In Relation to Property, Plant and Equipment

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Approved and contracted for	5,319,067	3,850,762	5,410,819	3,855,317
Approved but not contracted for	3,516,127	2,230,858	3,516,127	2,230,858
Total capital commitments in relation to Property, Plant and Equipment	8,835,194	6,081,620	8,926,946	6,086,175

Notes to the Financial Statements

55.3.2 Capital Commitments in Relation to Intangible Assets

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Approved and contracted for	1,099,134	1,581,428	1,099,134	1,660,790
Approved and not contracted for	405,000	1,897,222	405,000	1,897,222
Total capital commitments in relation to intangible assets	1,504,134	3,478,650	1,504,134	3,558,012
Total capital commitments	10,339,328	9,560,270	10,431,080	9,644,187

55.4 Lease Commitments

55.4.1 Operating Lease Commitments

Future minimum lease payments under non-cancellable operating leases, where the Bank is the lessee, are as follows;

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Not later than 1 year	1,591,219	792,650	1,595,433	820,891
Later than 1 year and not later than 5 years	2,083,566	1,200,140	2,104,416	1,222,344
Later than 5 years	1,071,650	555,197	1,073,781	555,211
Total operating lease commitments	4,746,435	2,547,987	4,773,630	2,598,446

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 46).

55.4.2 Finance Lease Commitments

Future minimum lease payments under non-cancellable finance leases, where the Bank is the lessee, are as follows;

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Not later than 1 year	-	-	1,944	3,184
Later than 1 year and not later than 5 years	-	-	-	1,663
Total finance lease commitments	-	-	1,944	4,847
Total lease commitments	4,746,435	2,547,987	4,775,574	2,603,293

55.5 Litigation

Litigations are anticipated in the context of business operations due to the nature of the transactions involved. The Bank and the Group's companies are involved in various such legal actions and the controls have been established to deal with such legal claims. There are pending litigations existing as at the end of the reporting period against the Bank, resulting through normal business operations.

Litigations against the Bank have been assessed in terms of the probability of any claims or damages arising against the Bank, which require provisions to be made in the Financial Statements as per LKAS 37- "Provisions, Contingent Liabilities and Contingent Assets."

As of 31 December 2020, claims for the Legal Actions against the Bank approximately amount to LKR 6,135.3 million (2019: LKR 7,032.8 million) , nevertheless the Bank has no impact over such claims whatsoever affecting to the business, operations or image of the Bank.

56 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	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Borrowings				
Securities sold under repurchase agreements	57,106,652	34,183,210	57,697,780	34,880,507
	57,106,652	34,183,210	57,697,780	34,880,507
Secured by ;				
Treasury bills	4,110,054	23,609,218	4,110,054	23,609,218
Treasury bonds	60,953,927	14,235,180	61,545,055	14,932,477
Total assets pledged as securities	65,063,981	37,844,398	65,655,109	38,541,695

57 Events After the Reporting Date

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date the Financial Statements are authorised for issue. There are no events occurring after the reporting date which require adjustments to or disclosure in the Financial Statements.

Notes to the Financial Statements

58 Maturity Analysis of Assets and Liabilities

58.1 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 2020 in to the contractual maturity date, is given in the table below;

As at 31 December 2020	Bank			Group		
	Within	After	Total	Within	After	Total
	12 months	12 months		12 months	12 months	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	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%

As at 31 December 2020	Bank			Group		
	Within	After	Total	Within	After	Total
	12 months	12 months		12 months	12 months	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	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	-

Notes to the Financial Statements

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 2019 in to the contractual maturity date, is given in the table below :

As at 31 December 2019	Bank			Group		
	Within	After	Total	Within	After	Total
	12 months	12 months		12 months	12 months	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Assets						
Cash and cash equivalents	64,868,895	-	64,868,895	64,829,735	-	64,829,735
Balances with Central Banks	54,594,436	-	54,594,436	54,594,436	-	54,594,436
Placements with banks	40,296,911	4,179,432	44,476,343	43,624,709	4,286,912	47,911,621
Securities purchased under resale agreements	2,179,449	-	2,179,449	3,981,886	-	3,981,886
Derivative financial instruments	132,090	-	132,090	132,090	-	132,090
Financial assets measured at fair value through profit or loss	4,639,337	5,416,078	10,055,415	5,594,376	5,458,393	11,052,769
Financial assets measured at amortised cost - loans and advances	578,500,777	971,304,094	1,549,804,871	591,646,684	989,302,341	1,580,949,025
Financial assets measured at amortised cost - debt instruments	291,064,805	281,683,004	572,747,809	290,752,515	283,224,815	573,977,330
Financial assets measured at fair value through OCI	6,924,354	7,311,736	14,236,090	8,473,967	8,542,586	17,016,553
Investment in subsidiary companies	-	6,513,048	6,513,048	-	-	-
Investment in associate companies	-	92,988	92,988	-	447,035	447,035
Investment properties	-	2,648,784	2,648,784	-	117,276	117,276
Property, Plant and Equipment	-	25,579,065	25,579,065	-	39,486,380	39,486,380
Right of Use Assets/ Leasehold properties	-	3,479,937	3,479,937	-	2,187,622	2,187,622
Intangible assets	-	1,127,007	1,127,007	-	1,361,858	1,361,858
Deferred tax assets	-	-	-	-	511,936	511,936
Other assets	35,644,359	26,936,043	62,580,402	36,980,941	26,945,119	63,926,060
Total assets	1,078,845,413	1,336,271,216	2,415,116,629	1,100,611,339	1,361,872,273	2,462,483,612
Percentage (%)	44.7%	55.3%	100.0%	44.7%	55.3%	100.0%

As at 31 December 2019	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	2,669,407	-	2,669,407	2,932,950	-	2,932,950
Securities sold under repurchase agreements	34,183,210	-	34,183,210	34,880,507	-	34,880,507
Derivative financial instruments	106,677	-	106,677	106,677	-	106,677
Financial liabilities at amortised cost - due to depositors	1,932,642,258	72,569,536	2,005,211,794	1,945,623,686	79,580,347	2,025,204,033
Financial liabilities at amortised cost - other borrowings	137,833,543	-	137,833,543	111,688,196	33,407,066	145,095,262
Debt securities issued	-	-	-	-	2,107,810	2,107,810
Current tax liabilities	-	-	-	138,677	-	138,677
Deferred tax liabilities	-	4,592,021	4,592,021	-	7,182,866	7,182,866
Insurance provision - Life	-	-	-	511,091	-	511,091
Insurance provision - Non life	-	-	-	358,504	-	358,504
Other liabilities	18,170,176	15,845,512	34,015,688	17,715,049	17,042,995	34,758,044
Subordinated liabilities	4,877,797	49,343,755	54,221,552	4,877,797	49,333,745	54,211,542
Equity	1,976,602	140,306,135	142,282,737	2,538,143	152,457,506	154,995,649
Total liabilities and Equity	2,132,459,670	282,656,959	2,415,116,629	2,121,371,277	341,112,335	2,462,483,612
Percentage (%)	88.3%	11.7%	100.0%	86.1%	13.9%	100.0%
Net gap	(1,053,614,257)	1,053,614,257	-	(1,020,759,938)	1,020,759,938	-

Notes to the Financial Statements

59 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.

59.1 Parent and the Ultimate Controlling Party

Bank of Ceylon is a Government owned bank.

59.2 Key Management Personnel (KMP) and their Close Family Members (CFMs)

59.2.1 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

For the year ended 31 December	Bank		Group	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Short term employment benefits	17,864	23,461	18,310	23,913
Post employment benefits	4,412	6,054	4,412	6,054
Total	22,276	29,515	22,722	29,967

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.

59.2.2 Transactions, Arrangements and Agreements Involving Key Management Personnel (KMP) and their Close Family Members (CFMs).

a) Items in Statement of Profit or Loss

For the year ended 31 December	KMP and CFMs	
	2020	2019
	LKR '000	LKR '000
Interest income	687	368
Interest expenses	1820	4,735

(b) Items in Statement of Financial Position

As at 31 December	KMPs and CFMs	
	2020	2019
	LKR '000	LKR '000
Assets		
Loans	8,476	3,897
Overdrafts	41	-
Credit cards	19	14
	8,536	3,911
Liabilities		
Due to customers	26,796	26,214
Debentures	2,554	-
	29,350	26,214

(c) Off Balance Sheet Items

As at 31 December	KMPs and CFMs	
	2020	2019
	LKR '000	LKR '000
Undrawn facilities	3,453	736
	3,453	736

(d) Average Accommodations/ Due to Depositors Balances

For the year ended 31 December	KMPs and CFMs	
	2020	2019
	LKR '000	LKR '000
Loans	6,186	3,636
Overdrafts	21	-
Due to customers	26,505	49,578

59.3 Transactions with Group Related Parties

The Group related parties include the Subsidiaries and Associates of the Bank.

59.3.1 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	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Interest income	174,537	257,106	13,819	24,652
Interest expenses	133,933	232,227	15,953	18,861
Other income	471,587	392,567	1,037	35,300
Other expenses	1,011,942	1,064,817	3,200	56,485

Notes to the Financial Statements

(b) Items in Statement of Financial Position

As at 31 December	Subsidiary Companies		Associate Companies	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Assets				
Loans	1,508,874	2,384,660	135,039	125,488
Overdrafts	157,069	90,132	102,300	3,958
Investments in debts and Government securities	-	17,386	-	-
Placements	30,589,615	32,366,929	-	-
Other receivables	852,611	803,668	-	-
	33,108,169	35,662,775	237,339	129,446
Liabilities				
Due to depositors	4,704,848	4,244,340	204,827	194,331
Securities sold under repurchase agreements	83,823	236,623	21,002	39,506
Debentures	10,217	10,222	-	-
Other liabilities	155,381	16,490	-	-
	4,954,269	4,507,675	225,829	233,837

(c) Off Balance Sheet Items

As at 31 December	Subsidiary Companies		Associate Companies	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Guarantees	50,950	6,971	-	-
Undrawn facilities	209,875	289,968	2,700	6,042
	260,825	296,939	2,700	6,042

(d) Average Accommodations/ Due to Depositors Balances

For the year ended 31 December	Subsidiary Companies		Associate Companies	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Loans	1,946,767	1,761,071	130,263	143,125
Overdrafts	123,601	152,749	53,129	18,980
Due to depositors	4,474,594	3,640,755	199,579	217,637

59.3.2 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	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Interest income	175,402	310,623	13,819	24,652
Interest expense	133,933	285,744	15,953	18,861
Other income	986,665	665,866	2,103	35,582
Other expenses	1,528,411	1,338,116	3,740	56,485

(b) Items in Statement of Financial Position

As at 31 December	Subsidiary Companies		Associate Companies	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Assets				
Loans	1,810,677	2,643,206	145,104	125,488
Overdrafts	157,069	90,132	102,300	3,958
Investments in debts and Government securities	-	17,786	-	-
Placements	30,589,615	32,366,929	-	-
Other receivables	853,264	804,321	-	-
	33,410,625	35,922,374	247,404	129,446
Liabilities				
Due to depositors	4,775,239	4,502,886	204,827	194,331
Securities sold under repurchase agreements	83,823	236,623	21,002	39,506
Debentures	10,217	10,222	-	-
Other liabilities	396,991	17,143	520	-
	5,266,270	4,766,874	226,349	233,837

(c) Off Balance Sheet Items

As at 31 December	Subsidiary Companies		Associate Companies	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Guarantees	50,950	6,971	-	-
Undrawn facilities	209,875	289,968	2,700	6,042
	260,825	296,939	2,700	6,042

(d) Average Accommodations/ Due to Depositors Balances

For the year ended 31 December	Subsidiary Companies		Associate Companies	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Loans	2,226,941	1,761,071	135,296	143,125
Overdrafts	123,601	152,749	53,129	18,980
Due to depositors	4,639,062	3,640,755	199,579	217,637

59.4 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.

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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;

59.4.1 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	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Interest income	113,713,249	96,203,394	-	1
Other income	636,554	1,037,170	-	2,262
Interest expenses	30,760,407	24,313,434	7,872,577	7,524,264
Dividends paid	1,596,410	346,410	-	-
Contribution made	-	-	1,415,578	1,692,847

(b) Items in Statement of Financial Position

As at 31 December	Significant Investor		Post Employment Benefit Plans	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Assets				
Loans and advances	860,826,882	710,906,986	-	-
Investment in securities and bonds	726,180,753	571,299,788	-	-
Investment in equity instruments	1,901,993	4,134,884	-	-
	1,588,909,628	1,286,341,658	-	-
Liabilities				
Due to depositors	423,005,912	325,541,751	69,422,730	58,032,070
Securities sold under repurchase agreements	18,549,267	27,377,500	-	5,001
Debentures	33,384,457	21,679,286	25,148,205	27,538,561
	474,939,636	374,598,537	94,570,935	85,575,632

(c) Off Balance Sheet Items

As at 31 December	Significant Investor	
	2020	2019
	LKR '000	LKR '000
Letters of credit	65,301,616	85,619,571
Bills and acceptances	57,912,304	84,731,854
Guarantees	4,546,744	3,280,252
Forward exchange contracts	3,202,593	2,179,608
	130,963,257	175,811,285

(d) Other transactions

For the year ended 31 December	Significant Investor	
	2020	2019
	LKR '000	LKR '000
Gross foreign exchange transactions		
- Sales	185,427,000	454,137,709
- Purchases	5,698,818	19,289,777

(e) Average Accommodations/ Due to Depositors Balances

For the year ended 31 December	Significant Investor		Post Employment Benefit Plans	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Loans and advances	785,866,934	438,916,016	-	-
Due to depositors	374,273,831	281,458,414	63,727,400	50,505,121
Off balance sheet facilities	153,387,271	179,335,686	-	-

59.4.2 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 324,156 million and Comfort Letters of LKR 32,166 million as of 31 December 2020 against the Loan facilities granted to State Owned Enterprises (SOEs).

59.4.3 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	
	2020	2019
	LKR '000	LKR '000
Investment in securities and bonds	2,396,494	2,577,680
Nostro balance with Central Bank of Sri Lanka	228,191	213,982
Income from investments in securities and bonds	216,055	266,748

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 2020 on comparable terms, which are applicable to transactions between the Group and its unrelated customers.

Notes to the Financial Statements

60 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.

60.1 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, NBT and Income tax are managed on a Group basis and are not allocated to operating segments.

For the year ended 31 December	Retail banking		Corporate banking	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Revenue from external customers:				
Net interest income	38,837,496	44,590,816	21,938,263	19,533,602
Net fee and commission income	9,034,700	8,098,508	1,735,384	2,302,551
Other income	284,537	346,879	1,331,677	(97,768)
Total operating income	48,156,733	53,036,203	25,005,324	21,738,385
Impairment (charge)/ reversal for loans and other losses	(11,860,677)	(7,714,890)	(14,987,487)	(9,664,033)
Other operating expenses	(23,052,120)	(23,083,065)	(5,114,790)	(4,661,053)
Total expenses	(34,912,797)	(30,797,955)	(20,102,277)	(14,325,086)
Operating profit before VAT and NBT	13,243,936	22,238,248	4,903,047	7,413,299
VAT and NBT on financial services				
Operating profit after VAT and NBT				
Share of profit/ (loss) of associate companies, net of tax				
Profit/ (loss) before income tax	13,243,936	22,238,248	4,903,047	7,413,299
Income tax expense				
Profit for the year				
Total assets	902,023,302	729,200,232	1,086,867,184	841,739,679
Total liabilities	854,651,090	686,240,566	1,029,787,391	792,149,931
Cash flows from/ (used in) operating activities	49,210,881	21,033,018	25,552,690	8,620,976
Cash flows from/ (used in) investing activities	(31,134,388)	7,735,485	(37,514,490)	8,929,323
Cash flows from/ (used in) financing activities	8,480,585	(22,916,788)	10,218,438	(26,453,597)
Capital expenditure to non current assets				
Depreciation and amortisation expenses	1,286,526	1,118,356	1,550,163	1,290,955

Being the major customer of the Bank, "Government and State Owned Enterprises" (SOEs) represents 25% of revenue of the bank, (2019 : 20%) and included under Retail and Corporate segments. More details are given in the Note 59 - "Related Party Disclosures".

International, Treasury and Investment		Group Function		Unallocated		Total	
2020	2019	2020	2019	2020	2019	2020	2019
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
14,094,243	10,439,891	2,427,375	3,148,409	(94,136)	582,168	77,203,241	78,294,886
634,938	1,024,387	217,646	360,570	554,069	671,361	12,176,737	12,457,377
4,869,475	3,637,319	208,521	2,275,110	106,554	183,103	6,800,764	6,344,643
19,598,656	15,101,597	2,853,542	5,784,089	566,487	1,436,632	96,180,742	97,096,906
(3,885,611)	(833,822)	(799,895)	(121,518)	(498,403)	(384,980)	(32,032,073)	(18,719,243)
(4,457,010)	(4,232,170)	(3,437,149)	(4,390,490)	(460,753)	(532,954)	(36,521,822)	(36,899,732)
(8,342,621)	(5,065,992)	(4,237,044)	(4,512,008)	(959,156)	(917,934)	(68,553,895)	(55,618,975)
11,256,035	10,035,605	(1,383,502)	1,272,081	(392,669)	518,698	27,626,847	41,477,931
						(5,463,182)	(10,850,549)
						22,163,665	30,627,382
		82,488	48,187			82,488	48,187
11,256,035	10,035,605	(1,301,014)	1,320,268	(392,669)	518,698	22,246,153	30,675,569
						(5,938,747)	(6,928,234)
						16,307,406	23,747,335
861,849,707	708,408,763	41,792,680	47,366,987	132,240,902	135,767,951	3,024,773,775	2,462,483,612
816,587,321	666,673,992	29,495,247	34,654,076	125,295,912	127,769,398	2,855,816,961	2,307,487,963
20,027,670	5,988,969	5,552,967	3,059,313	578,887	569,737	100,923,095	39,272,013
(29,747,749)	7,514,925	521,121	(412,501)	(4,564,449)	1,440,251	(102,439,955)	25,207,483
8,102,883	(22,263,368)	(7,215,955)	(2,946,439)	1,243,294	(4,266,819)	20,829,245	(78,847,011)
						3,461,073	4,106,171
1,229,228	1,086,469	136,624	71,140	188,611	208,224	4,391,152	3,775,144

Notes to the Financial Statements

60.2 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.

	Bank				Group			
	2020		2019		2020		2019	
	LKR '000	%	LKR '000	%	LKR '000	%	LKR '000	%
Assets								
Domestic Banking Operation	2,705,875,291	90.7	2,147,379,069	88.9	2,711,338,107	89.6	2,154,523,555	87.5
Offshore and Overseas Banking Operation	277,105,804	9.3	267,737,560	11.1	313,435,668	10.4	307,960,057	12.5
Total Assets	2,982,981,095	100.0	2,415,116,629	100.0	3,024,773,775	100.0	2,462,483,612	100.0
Total Income								
Domestic Banking Operation	210,799,829	85.3	203,743,426	85.2	215,794,177	85.4	212,578,093	85.5
Offshore and Overseas Banking Operation	36,364,136	14.7	35,373,043	14.8	36,961,853	14.6	36,113,910	14.5
Total Income	247,163,965	100.0	239,116,469	100.0	252,756,030	100.0	248,692,003	100.0
Profit Before Tax								
Domestic Banking Operation	16,770,593	71.2	16,977,329	57.2	15,461,103	69.5	17,942,479	58.5
Offshore and Overseas Banking Operation	6,781,288	28.8	12,707,898	42.8	6,785,050	30.5	12,733,090	41.5
Total Profit Before Tax	23,551,881	100.0	29,685,227	100.0	22,246,153	100.0	30,675,569	100.0
Profit After Tax								
Domestic Banking Operation	13,614,714	76.6	13,720,830	59.4	12,153,227	74.5	14,344,937	60.4
Offshore and Overseas Banking Operation	4,150,418	23.4	9,377,205	40.6	4,154,179	25.5	9,402,398	39.6
Total Profit After Tax	17,765,132	100.0	23,098,035	100.0	16,307,406	100.0	23,747,335	100.0

61 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.

61.1 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.

Notes to the Financial Statements

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 61.1.3

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.

61.1.1 Assets Measured at Fair Value - Fair Value Hierarchy

As at 31 December 2020	Bank				Group			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
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

61.1.1 Assets Measured at Fair Value - Fair Value Hierarchy

As at 31 December 2019	Bank				Group			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets								
Derivative financial instruments								
Forward exchange contracts	-	7,977	-	7,977	-	7,977	-	7,977
Currency SWAPs	-	-	124,113	124,113	-	-	124,113	124,113
	-	7,977	124,113	132,090	-	7,977	124,113	132,090
Financial Assets recognised through Profit or Loss measured at Fair Value								
Government securities								
Treasury bills	4,636,846	-	-	4,636,846	4,636,846	-	-	4,636,846
Treasury bonds	29,806	-	-	29,806	721,341	-	-	721,341
Quoted equities	2,596,152	-	-	2,596,152	2,858,056	-	-	2,858,056
Units in unit trusts	-	2,792,611	-	2,792,611	-	2,834,926	-	2,834,926
Quoted debt securities	-	-	-	-	1,600	-	-	1,600
	7,262,804	2,792,611	-	10,055,415	8,217,843	2,834,926	-	11,052,769
Financial Assets measured at Fair Value through OCI								
Quoted investments								
Government securities in Sri Lanka								
Treasury bills	6,343,043	-	-	6,343,043	7,891,144	-	-	7,891,144
Treasury bonds	1,881,395	-	-	1,881,395	2,203,866	-	-	2,203,866
Government securities in India	1,445,693	-	-	1,445,693	1,445,693	-	-	1,445,693
Equities	2,808,684	-	-	2,808,684	3,695,899	-	-	3,695,899
Unquoted investments								
Equities	-	1,527,968	229,307	1,757,275	-	1,527,968	251,983	1,779,951
	12,478,815	1,527,968	229,307	14,236,090	15,236,602	1,527,968	251,983	17,016,553
Total Financial Assets	19,741,619	4,328,556	353,420	24,423,595	23,454,445	4,370,871	376,096	28,201,412
Non Financial Assets								
Property, Plant and Equipment	-	-	19,261,983	19,261,983	-	-	32,429,288	32,429,288
Total Non Financial Assets	-	-	19,261,983	19,261,983	-	-	32,429,288	32,429,288
Total	19,741,619	4,328,556	19,615,403	43,685,578	23,454,445	4,370,871	32,805,384	60,630,700
Financial Liabilities								
Derivative financial instruments								
Forward exchange contracts	-	1,070	-	1,070	-	1,070	-	1,070
Currency SWAPs	-	-	105,607	105,607	-	-	105,607	105,607
Total Financial Liabilities	-	1,070	105,607	106,677	-	1,070	105,607	106,677

61.1.2 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	Total Gains/ (Losses) Recorded in Profit or Loss	Total Gains/ (Losses) Recorded in OCI	Purchases/ (Sales) and Other Adjustments	As at 31 December 2020	As at 1 January 2020	Total Gains/ (Losses) Recorded in Profit or loss	Total Gains/ (Losses) Recorded in OCI	Purchases/ (Sales) and Other Adjustments	As at 31 December 2020
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets										
Derivative financial instruments										
Currency SWAPs	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

61.1.2 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 2019	Total Gains/ (Losses) Recorded in Profit or Loss	Total Gains/ (Losses) Recorded in OCI	Purchases/ (Sales) and Other Adjustments	As at 31 December 2019	As at 1 January 2019	Total Gains/ (Losses) Recorded in Profit or Loss	Total Gains/ (Losses) Recorded in OCI	Purchases/ (Sales) and Other Adjustments	As at 31 December 2019
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets										
Derivative financial Instruments										
Currency SWAPs	1,176,760	-	-	(1,052,647)	124,113	1,176,760	-	-	(1,052,647)	124,113
Financial assets measured at Fair Value through OCI										
Unquoted Investments										
Equities	229,307	-	-	-	229,307	274,671	(22,688)	-	-	251,983
Total Level 3 Financial Assets	1,406,067	-	-	(1,052,647)	353,420	1,451,431	(22,688)	-	(1,052,647)	376,096
Non Financial Assets										
Property, Plant and Equipment	18,458,592	(188,835)	-	992,226	19,261,983	31,291,572	(745,778)	790,887	1,092,607	32,429,288
Total Level 3 Assets	19,864,659	(188,835)	-	(60,421)	19,615,403	32,743,003	(768,466)	790,887	39,960	32,805,384
Financial Liabilities										
Currency SWAPs	477,282	-	-	(371,675)	105,607	477,282	-	-	(371,675)	105,607
Total Level 3 Financial Liabilities	477,282	-	-	(371,675)	105,607	477,282	-	-	(371,675)	105,607
Net Level 3 Financial Assets	928,785	-	-	(680,972)	247,813	974,149	(22,688)	-	(680,972)	270,489

61.1.3 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 2020 in measuring financial instruments categorised as level 3 in the fair value hierarchy.

Type of Financial Instrument	Fair value As at 31 December 2020 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	510,394	Forward pricing model	Foreign exchange forward rate Discount for counterparty credit risk	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	21,000	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.

Notes to the Financial Statements

61.2 Fair Value of Financial Assets and Liabilities not Carried at Fair Value

As at 31 December 2020	Bank				Carrying value	Group				Carrying value
	Fair Value					Fair Value				
	Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Assets										
Financial assets at amortised cost - 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

As at 31 December 2019	Bank				Carrying value	Group				Carrying value
	Fair Value					Fair Value				
	Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Assets										
Financial assets at amortised cost - Debt and other instruments	379,480,429	6,099,885	191,904,149	577,484,463	572,747,809	380,220,023	6,099,885	192,878,291	579,198,199	573,977,330
Investment properties	-	-	3,000,000	3,000,000	2,648,784	-	-	653,000	653,000	117,276
Total	379,480,429	6,099,885	194,904,149	580,484,463	575,396,593	380,220,023	6,099,885	193,531,291	579,851,199	574,094,606
Liabilities										
Other borrowings	-	-	137,833,543	137,833,543	137,833,543	-	-	145,095,262	145,095,262	145,095,262
Debt securities issued	-	-	-	-	-	-	-	2,107,810	2,107,810	2,107,810
Subordinate liabilities	-	21,973,558	32,082,614	54,056,172	54,221,552	-	21,919,188	32,082,614	54,001,802	54,211,542
Total	-	21,973,558	169,916,157	191,889,715	192,055,095	-	21,919,188	179,285,686	201,204,874	201,414,614

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 32.

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.

61.3 Assets and Liabilities for which Fair Value Approximates Carrying Value

For financial assets and liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their fair value. For certain instruments which have contractual maturity of more than one year, the fair value is determined using reasonable basis. Given below is the bases adopted by the Bank in order to establish the fair values of such financial instruments.

Financial Assets at Amortised Cost - Loans and Advances

Approximately 38% of the total portfolio of loans and advances to customers have a remaining contractual maturity of less than one year and 95% 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.

Notes to the Financial Statements

As at 31 December	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	LKR '000	LKR '000	LKR '000	LKR '000
Bank				
Financial assets				
Cash and cash equivalents	84,416,624	84,416,624	64,868,895	64,868,895
Balances with Central Banks	33,351,852	33,351,852	54,594,436	54,594,436
Placements with banks	27,615,851	27,615,851	44,476,343	44,476,343
Securities purchased under resale agreements	2,001,047	2,001,047	2,179,449	2,179,449
Financial assets at amortised cost loans and advances	1,988,409,007	1,988,409,007	1,549,804,871	1,549,804,871
Total financial assets	2,135,794,381	2,135,794,381	1,715,923,994	1,715,923,994
Financial liabilities				
Due to banks	2,402,043	2,402,043	2,669,407	2,669,407
Securities sold under repurchase agreements	57,106,652	57,106,652	34,183,210	34,183,210
Due to depositors	2,474,775,488	2,474,775,488	2,005,211,794	2,005,211,794
Total financial liabilities	2,534,284,183	2,534,284,183	2,042,064,411	2,042,064,411
Group				
Financial assets				
Cash and cash equivalents	83,198,445	83,198,445	64,829,735	64,829,735
Balances with Central Banks	33,351,852	33,351,852	54,594,436	54,594,436
Placements with banks	27,913,969	27,913,969	47,911,621	47,911,621
Securities purchased under resale agreements	3,822,312	3,822,312	3,981,886	3,981,886
Financial assets at amortised cost loans and advances	2,018,393,730	2,018,393,730	1,580,949,025	1,580,949,025
Total financial assets	2,166,680,308	2,166,680,308	1,752,266,703	1,752,266,703
Financial liabilities				
Due to banks	2,628,434	2,628,434	2,932,950	2,932,950
Securities sold under repurchase agreements	57,697,780	57,697,780	34,880,507	34,880,507
Due to depositors	2,493,110,291	2,493,110,291	2,025,204,033	2,025,204,033
Total financial liabilities	2,553,436,505	2,553,436,505	2,063,017,490	2,063,017,490

61.4 Reclassification of Financial Assets and Financial Liabilities

There have been no reclassifications during 2020.

62 Risk Management

62.1 Introduction

62.1.1 Overview

Owing to the fact that Risk is an inherent component in the Business of Banking, the Bank mainly exposed to Credit Risk, Market Risk, Operational Risk and Liquidity Risk by engaging in financial transactions.

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.

Information presented in this note is about the exposures to risks given above and the processes of measuring and managing such risks.

62.2 Credit Risk

62.2.2	Maximum Exposure to Credit Risk
62.2.3	Credit Quality by Class of Financial Assets
62.2.4	Country Wise Exposure
62.2.4	Sector Wise Exposure
62.2.5	Commitments and Guarantees
62.2.6	Managing Credit Risk - Under COVID-19

62.3 Liquidity Risk

62.3	Exposure to Liquidity Risk
62.3	Liquidity Risk and Funding Management

62.4 Market Risk

62.4	Market Risk Exposure
62.4.1	Foreign Exchange Risk
62.4.2	Interest Rate Risk
62.4.3	Equity Risk

62.5 Operational Risk

62.6 Capital Management

62.1.2 Group Risk Management

Bank of Ceylon Group consist of 10 financial and non financial Subsidiaries and 04 Associate Companies. The principal activities of the Group is spread over diverse range. The affairs of Subsidiaries and Associates do not have significant impact to the risk management due to size of the balance sheet of them.

Albeit the Bank is managing the strategic risk through comprehensive review of Group activities on a quarterly basis mainly in the perspective of Credit, Market and Operational risks which are overseen by the Integrated Risk Management Committee (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.

Notes to the Financial Statements

62.1.3 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.

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. 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.

62.1.4 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. 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.

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. The result of the risk measurements and analysis are reported to the IRMC periodically for better risk management.

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.

62.2 Credit Risk

Credit Risk is defined as potential losses arising due to a counterparty to a credit transaction failing to meet obligations in accordance with agreed terms. Credit risk can take the form of default, deterioration in credit quality or concentration.

62.2.1 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 credits and for the renewal of existing credits. 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 which are exceeding a certain threshold are independently reviewed by the Chief Risk Officer.

Rating models are 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.

62.2.1.1 Calculation of Expected Credit Losses (ECL)

Expected credit loss represents the default events over an expected life time of the financial assets. Expected credit losses are calculated using three main components, i.e. Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). These parameters are generally derived from internally developed statistical models combined with historical, current and forward-looking customer and macro-economic data.

SLFRS 9 introduces a three stage model for impairment of financial assets that are performing at the stage of origination or purchase. Three stage model for impairment is based on the changes in the credit quality since initial recognition. At initial recognition, financial assets which are not credit impaired are reflected in stage 1. If there is a significant increase in the credit risk, such financial assets are transferred to stage 2. Significant increase in the credit risk is defined using pre-determined credit risk indicators which are stated in the bank's impairment policy. In case of a default, financial assets are classified as stage 3.

62.2.1.2 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.

62.2.2 Maximum Exposure to Credit Risk

62.2.2.1 Collateral and Other Credit Enhancements

The Bank obtains different types of collaterals from the counterparties as a credit risk mitigates. 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 collaterals obtained are;

- For commercial lending- charges over movable and immovable properties
- For personal lending- mortgages over movable and immovable properties, cash and cash equivalents and gold articles
- For Government and State Owned Enterprises- Government guarantees
- For reverse repurchase transactions – Government securities

The Bank monitors the market value of collaterals and will request additional collaterals 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 collaterals, any surplus over collaterals and the net exposure to credit risk.

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62.2.2.2 Type of Collaterals or Other Credit Enhancements

31 December 2020	Maximum exposure to credit risk	Value of collaterals and credit enhancements held							Net Collateral	Net exposure
		GoSL								
		Cash	Gold	Securities/ Guarantees	Movables	Immovables	Others	Surplus Over Collateral		
	LKR '000	LKR '000	LKR '000	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

31 December 2019	Maximum exposure to credit risk	Value of collaterals and credit enhancements held							Net Collateral	Net exposure
		Cash	Gold	GoSL Guarantees	Movables	Immovables	Others	Surplus Over Collateral		
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	64,882,431	46,532,632	-	-	-	-	-	-	46,532,632	18,349,799
Less : Impairment	(13,536)	-	-	-	-	-	-	-	-	(13,536)
Balances with Central Banks	54,594,436	54,594,436	-	-	-	-	-	-	54,594,436	-
Placements with banks	44,517,199	-	-	-	-	-	-	-	-	44,517,199
Less : Impairment	(40,856)	-	-	-	-	-	-	-	-	(40,856)
Securities purchased under resale agreements	2,179,449	-	-	-	-	-	-	-	-	2,179,449
Derivative financial instruments	132,090	-	-	-	-	-	-	-	-	132,090
Financial assets recognised through profit or loss - measured at fair value	10,055,415	-	-	4,666,658	-	-	-	-	4,666,658	5,388,757
Financial assets at amortised cost - loans and advances	1,648,760,589	93,487,564	83,941,733	407,344,324	141,014,879	347,547,813	91,845,448	(126,749,137)	1,038,432,624	610,327,965
Less : Impairment	(98,955,718)	-	-	-	-	-	-	-	-	(98,955,718)
Financial assets at amortised cost - debt and other instruments	574,921,740	-	-	568,425,789	-	-	-	-	568,425,789	6,495,951
Less : Impairment	(2,173,931)	-	-	-	-	-	-	-	-	(2,173,931)
Financial assets measured at fair value through OCI	14,236,090	-	-	9,669,618	-	-	-	-	9,669,618	4,566,472
Total financial assets	2,313,095,398	194,614,632	83,941,733	990,106,389	141,014,879	347,547,813	91,845,448	(126,749,137)	1,722,321,757	590,773,641

Notes to the Financial Statements

62.2.3 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.

Credit Quality by Class of Financial Assets	Neither past due/ Nor impaired						
	High grade (LKR ' 000)			Standard grade (LKR ' 000)			Stage 1
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
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	-	-	-	-	-	-	-
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 I assets amount to 90% of Bank's total assets and high grade assets to 46% 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)	60 to 90 days (LKR ' 000)	90 to 180 days (LKR ' 000)	180 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

Sub-standard grade (LKR ' 000)			Grades not allocated/ Un rated (LKR ' 000)			Past due but not individually impaired (LKR ' 000)			Individually impaired (LKR ' 000)	Total (LKR ' 000)
Stage 2	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

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)			Stage 1
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Cash and cash equivalents	61,114,313	-	-	-	-	-	-
Less : Impairment	-	-	-	-	-	-	-
Balances with Central Banks	48,334,353	-	-	-	-	-	-
Placements with banks	182,660	-	-	-	-	-	-
Less : Impairment	-	-	-	-	-	-	-
Securities purchased under resale agreements	2,179,449	-	-	-	-	-	-
Derivative financial instruments	132,090	-	-	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value	4,666,658	-	-	-	-	-	-
Financial assets at amortised cost - loans and advances	408,546,716	-	-	118,479,448	-	-	55,704,691
Less : Impairment	-	-	-	-	-	-	-
Financial assets at amortised cost - debt and other instruments	568,425,789	-	-	-	-	-	-
Less : Impairment	-	-	-	-	-	-	-
Financial assets measured at fair value through OCI	9,669,618	-	-	-	-	-	-
Total financial assets	1,103,251,646	-	-	118,479,448	-	-	55,704,691

Representation of stage I assets amount to 89% of Bank's total assets and high grade assets to 46% 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	31 to 60 days	60 to 90 days	90 to 180 days	180 days and over	Total
	(LKR ' 000)	(LKR ' 000)	(LKR ' 000)	(LKR ' 000)	(LKR ' 000)	(LKR ' 000)
Loans and advances to customers	310,846,406	35,144,463	66,001,879	3,221,318	27,911,531	443,125,597

As at 31 December 2019

Sub-standard grade (LKR ' 000)		Grades not allocated/ Un rated (LKR ' 000)			Past due but not individually impaired (LKR ' 000)			Individually impaired (LKR ' 000)	Total (LKR ' 000)
Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 3	
-	-	3,768,118	-	-	-	-	-	-	64,882,431
-	-	-	-	-	-	-	-	-	(13,536)
-	-	6,260,083	-	-	-	-	-	-	54,594,436
-	-	44,334,539	-	-	-	-	-	-	44,517,199
-	-	-	-	-	-	-	-	-	(40,856)
-	-	-	-	-	-	-	-	-	2,179,449
-	-	-	-	-	-	-	-	-	132,090
-	-	5,388,757	-	-	-	-	-	-	10,055,415
-	-	487,349,752	-	-	310,846,406	101,146,342	31,132,849	135,554,385	1,648,760,589
-	-	-	-	-	-	-	-	-	(98,955,718)
-	-	6,495,951	-	-	-	-	-	-	574,921,740
-	-	-	-	-	-	-	-	-	(2,173,931)
-	-	4,566,472	-	-	-	-	-	-	14,236,090
-	-	558,163,672	-	-	310,846,406	101,146,342	31,132,849	135,554,385	2,313,095,398

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62.2.4 Analysis of Risk Concentration

Concentration risk in credit portfolios arises due to an uneven distribution of Bank's loans to individual borrowers, industries and sectors or geographical regions. In managing the concentration risk the bank uses the Herfindahl-Harischman Index (HHI) as a measurement tool. The Bank has established appropriate limits to maintain concentration risk at an acceptable level.

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.

Country Wise Exposure

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
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

31 December 2019	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	47,626,492	326,525	5,301,008	44,575	7,662,052	42,038	3,866,205	64,868,895
Balances with Central Banks	48,334,353	-	5,058,839	906,827	-	294,417	-	54,594,436
Placements with banks	182,660	44,293,683	-	-	-	-	-	44,476,343
Securities purchased under resale agreements	2,179,449	-	-	-	-	-	-	2,179,449
Derivative financial instruments	132,090	-	-	-	-	-	-	132,090
Financial assets recognised through profit or loss - measured at fair value	10,055,415	-	-	-	-	-	-	10,055,415
Financial assets at amortised cost - loans and advances	1,513,991,459	-	26,368,023	7,858,634	-	1,586,755	-	1,549,804,871
Financial assets at amortised cost - debt and other instruments	562,731,222	-	10,016,587	-	-	-	-	572,747,809
Financial assets measured at fair value through OCI	12,790,398	-	-	1,445,692	-	-	-	14,236,090
Total financial assets	2,198,023,538	44,620,208	46,744,457	10,255,728	7,662,052	1,923,210	3,866,205	2,313,095,398
LIABILITIES								
Due to banks	1,324,470	19,140	-	-	1,198,296	-	127,501	2,669,407
Securities sold under repurchase agreements	34,183,210	-	-	-	-	-	-	34,183,210
Derivative financial instruments	106,677	-	-	-	-	-	-	106,677
Financial liabilities at amortised cost - due to depositors	1,962,131,792	-	35,068,761	5,762,931	-	2,248,310	-	2,005,211,794
Financial liabilities at amortised cost - other borrowings	41,400,295	-	-	2,747,982	9,146,152	-	84,539,114	137,833,543
Subordinated term debts	54,221,552	-	-	-	-	-	-	54,221,552
Total financial liabilities	2,093,367,996	19,140	35,068,761	8,510,913	10,344,448	2,248,310	84,666,615	2,234,226,183

Notes to the Financial Statements

The Bank's portfolio is well diversified with in the sectors and all exposures were maintained within the set HHI during the year.

Sector Wise Exposure

31 December 2020	Agriculture and fisheries	Banking, finance and insurance	Hotels, travels and services	Housing, construction and infrastructure	Manufacturing
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	-	38,127,468	-	-	-
Less : Impairment	-	-	-	-	-
Balances with Central Banks	-	-	-	-	-
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	1,403,273
Financial assets at amortised cost - loans and advances	143,583,044	57,989,388	145,840,254	488,058,761	114,697,275
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	130,047,447	145,886,238	488,300,094	116,100,548

31 December 2019	Agriculture, and Fisheries	Banking, Finance and Insurance	Hotels, Travels and Services	Housing, Construction and Infrastructure	Manufacturing
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	-	14,581,681	-	-	-
Less : Impairment	-	-	-	-	-
Balances with Central Banks	-	-	-	-	-
Placements with banks	-	44,517,199	-	-	-
Less : Impairment	-	-	-	-	-
Securities purchased under resale agreements	-	2,179,449	-	-	-
Derivative financial instruments	-	132,090	-	-	-
Financial assets recognised through profit or loss - measured at fair value	82,348	2,869,220	295,607	70,978	936,574
Financial assets at amortised cost - loans and advances	107,883,019	43,571,094	109,579,004	366,709,406	86,179,315
Less : Impairment	-	-	-	-	-
Financial assets at amortised cost - debt and other instruments	-	338,826	-	-	-
Less : Impairment	-	-	-	-	-
Financial assets measured at fair value through OCI	-	2,970,984	-	-	-
Total financial assets	107,965,367	111,160,543	109,874,611	366,780,384	87,115,889

* This excludes exposure to State Owned Enterprises

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
-	-	-	46,300,424	-	84,427,892
-	-	-	-	-	(11,268)
-	27,264,328	-	6,087,524	-	33,351,852
-	-	-	-	-	27,616,245
-	-	-	-	-	(394)
-	-	-	2,001,047	-	2,001,047
-	-	-	-	-	548,926
138,806	3,652,488	104,261	390,863	364,137	9,856,220
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
270,571,766	1,074,330,877	206,928,905	136,203,492	305,905,696	2,885,952,179

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
-	-	-	50,300,750	-	64,882,431
-	-	-	-	-	(13,536)
-	48,334,353	-	6,260,083	-	54,594,436
-	-	-	-	-	44,517,199
-	-	-	-	-	(40,856)
-	-	-	-	-	2,179,449
-	-	-	-	-	132,090
166,657	4,666,658	69,284	891,989	6,100	10,055,415
253,904,763	176,755,515*	155,400,432	59,731,824	289,046,217	1,648,760,589
-	-	-	-	-	(98,955,718)
6,157,124	568,425,790	-	-	-	574,921,740
-	-	-	-	-	(2,173,931)
1,595,488	9,669,618	-	-	-	14,236,090
261,824,032	807,851,934	155,469,716	117,184,646	289,052,317	2,313,095,398

Notes to the Financial Statements

62.2.5 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.

The table below shows the Bank's maximum exposure for contingent liabilities.

	Bank	
	2020	2019
	LKR '000	LKR '000
Acceptances and documentary credit	188,518,672	215,999,116
Bills for collection	20,100,204	20,291,631
Forward exchange contracts	10,601,807	5,212,914
Guarantees	124,846,871	101,124,860
Other commitments	27,791,512	23,296,109
	371,859,066	365,924,630

62.2.6 Managing Credit Risk – under COVID-19

The negative impact has not yet being felt due to the support provided to the affected industries through back-to-back moratoriums. However, the Bank has sufficiently provided for the anticipated loss (Expected Loss) which could hit hard on the industry with the cessation of moratoriums.

The Bank has introduced policy changes, which act as COVID-19 overlay in the credit evaluation of the borrowers under the post pandemic/new normal scenario.

The Bank has already conducted a set of stress testing on possible scenarios taking the COVID-19 impact and moratoriums into due consideration and assured that the Bank can withstand the extremes.

The Bank, being more prudent, increased the weightages given to worst case by 500 bps in determining the economic impact in assessing expected credit loss and the concessions by way of repayment deferments enjoyed by the customers were not considered in determining the stage for ECL calculations. The Bank has identified LKR 882.2 million extra provision due to increase in economic factor weightages for worst case bucket.

62.3 Liquidity Risk

The Bank's Liquidity Risk Management Framework is in place to ensure honouring the payment obligations of the bank are made in a timely and efficient manner. In addition Liquidity Risk Management Framework include compliance with the regulatory requirements, optimum usage of liquid assets for higher returns and funding business expansion.

Liquidity Risk Exposure

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 manage to get an optimum return while maintaining liquidity requirements.

	Total Bank		Offshore Banking Division	
	2020	2019	2020	2019
As at 31 December	26.57%	24.57%	29.48%	58.32%
Regulatory minimum requirement	20.00%	20.00%	20.00%	20.00%

Liquidity Risk and Funding Management

ALCO being the main management committee for managing liquidity and market risk, Bank's funding plan is reviewed regularly and precautionary measures and remedial measures are proposed to manage material mis-matches between assets and liabilities.

The table below presents the contractual undiscounted maturity of the bank's financial liabilities as at 31 December 2020.

31 December 2020	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Due to banks	-	2,402,043	-	-	-	2,402,043
Securities sold under resale agreements	-	54,598,865	2,324,409	-	-	56,923,274
Derivative financial instruments	-	102,182	-	-	-	102,182
Due to customers	859,615,071	451,075,093	581,512,911	34,165,446	457,218,090	2,383,586,611
Other borrowings	-	100,682,906	88,955,514	54,173,770	19,095,745	262,907,935
Total	859,615,071	608,861,089	672,792,834	88,339,216	476,313,835	2,705,922,045

31 December 2019	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Due to banks	-	2,669,407	-	-	-	2,669,407
Securities sold under resale agreements	-	31,299,229	2,706,175	-	-	34,005,404
Derivative financial instruments	-	106,677	-	-	-	106,677
Due to customers	637,696,208	361,602,367	522,362,493	32,312,580	392,719,516	1,946,693,164
Other borrowings	-	71,042,646	71,114,040	41,000,160	14,093,829	197,250,675
Total	637,696,208	466,720,326	596,182,708	73,312,740	406,813,345	2,180,725,327

62.4 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 that reflects the interdependency between risk variables. 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.

Notes to the Financial Statements

62.4.1 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. 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 rupee depreciation to improve Profit over foreign currency trading transactions during the year compared to last year. 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 any additional capital charge is required. Foreign Exchange VaR as at 31 December 2020 is LKR 44.9 million which is well within the Risk appetite limit.

Foreign Exchange Position as at 31 December	2020		2019	
	Net Overall Long	Net Overall Short	Net Overall Long	Net Overall Short
	LKR '000	LKR '000	LKR '000	LKR '000
Currency				
United States Dollar	-	(675,097)	278,312	-
Great Britain Pound	-	(3,687)	-	(2,012)
Euro	-	(24,642)	2,848	-
Japanese Yen	9,093	-	4,201	-
Australian Dollar	-	(1,354)	-	(2,758)
Canadian Dollar	-	(2,177)	-	(108)
Swiss Franc	1,238	-	2,807	-
Singapore Dollar	-	(2,603)	-	(951)
Hong Kong Dollar	5,452	-	6,910	-
Sub Total	15,783	(709,560)	295,078	(5,829)
Other Currencies	27,097	(1,433)	15,389	(804)
Grand Total	42,880	(710,993)	310,467	(6,633)
Higher of Long or Short	-	710,993	-	310,467

Impact on Income Statement due to Exchange Rate Shocks

Exchange Rate Shocks	2020		2019	
	Net Open Position (After Rate Shocks)	Impact on Income Statement as at 31 December 2020	Net Open Position (After Rate Shocks)	Impact on Income Statement as at 31 December 2019
	LKR '000	LKR '000	LKR '000	LKR '000
5%	675,443	(35,550)	294,944	(15,523)
10%	639,894	(71,099)	279,420	(31,047)
-5%	746,543	35,550	325,990	15,523
-10%	782,092	71,099	341,514	31,047

62.4.2 Interest Rate Risk

Interest rate risk is the possibility that the future cash flows or the fair value of financial instruments fluctuate as a result of an unexpected changes in interest rates. Market Interest rates dropped during the year 2020 to unprecedented levels due to policy measures taken by the regulator to maintain interest rates at a single digit levels.

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 one basis point change in the interest rates.

Bank			
For the year ended 31 December	2020	2019	Risk Appetite
	LKR '000	LKR '000	LKR '000
PVBP			
Investment in Treasury bills	7,407	76,823	600,000
Investment in Treasury bonds	566,120	133,266	1,200,000

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.

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%)

2019	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	9.1%	16.3%	15.2%	11.9%	12.1%	12.1%	4.9%	4.9%	13.5%
Rate sensitive liabilities	9.1%	16.0%	12.1%	20.7%	4.1%	4.1%	3.9%	3.9%	26.1%
GAP	0.0%	0.3%	3.1%	(8.9%)	8.0%	8.0%	1.1%	1.1%	(12.6%)

Notes to the Financial Statements

62.4.3 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. Total capital charge for equity risk has increased by 9% during the year commensurate with the market growth.

62.5 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.

62.6 Capital Management

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. Bank prepares a capital augmentation plan which determine the sources of capital to ensure the achievement of pre-determined capital targets. Given the size and the nature of the business, retained earnings is the primary source of the internal capital generation of the Bank.

62.6.1 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 the Bank which ascertain how effectively it can sustain a reasonable amount of loss.

Central Bank of Sri Lanka (CBSL) as the regulatory authority defines minimum capital requirements based on the systematic importance of banks and the economic condition of the country. Minimum capital requirement brought down to 13% for Domestic Systemically Important Banks (DSIBs) by the regulator to provide a flexibility during the pandemic situation. 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 to maintain confidence in the system.

Inline with the Basel requirement and guideline prescribed by the regulator, the Bank uses internationally accepted internal models to assess the pillar II risks in ICAAP and carry out Stress Test using multiple scenarios to determine the total capital requirement of the Bank. IIRMD actively and continuously monitor the CAR and pillar II risks, while stressing rigorously for worst possible scenarios. ICAAP factors out all possible risks such as Reputation risk, Strategic risk, Compliance risk, Concentration risk, and Interest rate risk on banking book.

Capital Levels

As at 31 December	2020 %	2019 %
Tier I capital (Regulatory minimum - 9%)	11.22	11.16
Total Capital (Regulatory minimum - 13%)	14.88	15.58



Compliance Annexes

Compliance with Code of Best Practice on Corporate Governance

2017 issued by CA Sri Lanka\ **320**

Compliance Requirements as per Banking Act Direction No. 11 of 2007\ **325**

Compliance Requirements Enforced by Colombo Stock Exchange\ **346**

Compliance Requirements Enforced by the Central Bank of Sri Lanka\ **348**

Capital Adequacy\ **352**

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
A.1	The Board Appointments to the Board are made by the shareholder, the Government of Sri Lanka through the Minister under whose purview the Bank comes in terms of the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. As per the said Ordinance, the number of Directors permitted on the Board is only six members. During the year 2020 Board consisted of six members. The Composition of the Board in 2020 as at this Annual Report date is given on pages 16 and 19 of this Annual Report. The Board members who have skills and experience as indicated in the details about them direct and lead the Bank with effective controls.
A.1.1	Board Meetings The Board meetings are held on a fortnightly basis and special meetings are scheduled as and when the need arises. The schedule of meetings is in place by the beginning of the year and the structure of submitting information to the Board has been agreed upon. Necessary information is submitted as agreed to enable decision making. During the year under review the Board met 27 times and attendance at meetings is summarised on page 90.
A.1.2	Role and responsibilities of the Board The role and responsibilities of the Board are incorporated in the Board Charter which was last reviewed in the year 2019 and incorporated into the recently adopted Corporate Governance Policy of the Bank.
A.1.3	To act in accordance with the laws of the country The Bank is regulated as per the Bank of Ceylon Ordinance no. 53 of 1938 and its amendments and the Banking Act no. 30 of 1988 and its amendments. Additionally, directions issued by the regulators viz., the Central Bank of Sri Lanka, any other regulator where the Bank has its overseas Branches, Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange apply to Bank of Ceylon. The Board acts in accordance with the applicable laws. Access to Independent Professional Advice A Policy on Directors' Access to Independent Professional Advice is in place whereby Directors are able to seek independent professional advice on a needs basis at the Bank's expense. This Policy was reviewed during the year 2020.
A.1.4	Advice and services of the Company Secretary The members of the Board have access to the advice and services of the Secretary to the Board/ Secretary, Bank of Ceylon who is an Attorney-at-Law. The Secretary to the Board is responsible for ensuring that Board procedures are followed and compliance with applicable rules and regulations, directions and statutes and keeping and maintaining minutes and relevant records. Any question of the removal of the Secretary to the Board/ Secretary, Bank of Ceylon is a matter for the full Board.
A.1.5	Independent judgement The Board of Bank of Ceylon bring independent judgement to bear in discharging their duties and responsibilities on matters relating to the Board including strategy, performance, resource allocation, risk management, compliance and standards of business conduct.
A.1.6	Dedicating adequate time and effort to matters of the Board and the Bank The agenda and Board memoranda are circulated among the Board members seven days prior to the meeting through a secure e-Solution enabling them to dedicate sufficient time before a meeting to review Board memoranda and call for additional information and clarification. Pre-Board meetings were held on several occasions during the year under review facilitating Board discussions.
A.1.7	Calling of Resolution The Board members can individually submit proposals to the Board when they feel that they are in the best interests of the Bank and a resolution can be presented to the Board.

Sections referred to in the code	Compliance status
A.1.8	Training for Directors When first appointed to the Board, the Directors undergo an induction programme covering the applicable regulatory requirements, Bank's history, organisational structure, details of subsidiaries and associates, products and services 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. 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.
A.2	Division of responsibilities between the Chairman and Chief Executive Officer (CEO) The positions of the Chairman and the Chief Executive Officer (referred to as the "General Manager" in the Bank) are held by two separate individuals. The Chairman is a Non-Executive Director. There is a clear division of responsibilities between the Chairman and the General Manager and the Board Charter adopted by the Bank clearly defines these responsibilities.
A.3	Chairman's Role The Chairman of Bank of Ceylon provides leadership to the Board, preserves order and facilitates the effective discharge of the Board's functions. The agenda for Board meetings is prepared by the Secretary, Bank of Ceylon/ Secretary to the Board, which is approved by the Chairman, based 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 seven days prior to the meetings through a secure e-Solution. All Directors are informed of their duties and responsibilities (which are enshrined in the Board Charter) and the Board Subcommittee structure of the Bank which assists the Board in discharging its responsibilities. The Board of Bank of Ceylon consists entirely of Non-Executive Directors and they effectively contribute within their respective capabilities, for the benefit of the Bank. Directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusion of matters of corporate concern on the agenda. The views of Directors on issues under consideration are ascertained and a record of such deliberations are reflected in the minutes in detail.
A.4	Financial acumen The Directors have sufficient financial acumen and knowledge to guide the Bank which they have acquired through the businesses/ professions in which they are involved and from qualifications held.
A.5	Board Balance The Board of Bank of Ceylon is always comprised of Non-Executive Directors. When Alternate Directors are appointed, it is also ensured that they are Non-Executive.
A.6	Provision of timely information The agenda and Board/ Subcommittee memoranda required for a Board/ Subcommittee Meeting are provided to Directors through the available e-Solution seven days prior to the meeting for them to review the memoranda in advance and come up with questions and discussion points and to request for additional information, if necessary. Pre-Board meetings are arranged where necessary to clarify matters and to facilitate the smooth functioning of the Board meetings. The members of the Corporate Management are available if the Directors wish to obtain further information or for any clarification. Board meeting minutes are made available to the Directors within 10 days from the meeting.
A.7	Appointments to the Board Appointments to the Board are made by the Government of Sri Lanka, through the Minister under whose purview the Bank falls. The requisite regulatory requirements relating to appointment of new Directors are complied with. There is an internal Policy in place with regard to the Appointment of Directors which has been shared with the relevant Ministry.

Compliance with Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka

Sections referred to in the code	Compliance status
A.8	Re-appointment Every Director appointed shall hold office for a period of three years, unless he is removed from office earlier or he vacates his office in terms of the Bank of Ceylon Ordinance no. 53 of 1938 and its amendments. In either case, he is eligible to be reappointed. Resignation An appointed Director may resign from his directorship by a letter addressed to the Minister under whose purview the Bank falls and any Director who vacates office by ending the term is eligible for re-appointment. If it is due to a special reason, it is indicated in their resignation letter. The Directors who resigned during the year are indicated in pages 17 to 18 of this Annual Report.
A.9	Appraisal of Board and its subcommittees An annual self-evaluation of its own performance is undertaken by the Board and Board Subcommittees to ensure that Board's and that of its Subcommittees responsibilities are satisfactorily discharged. The collective outcome is reviewed and addressed by the Board. During the year under review self evaluation of the Board was carried out. Also the members of the Board Subcommittees collectively evaluated the performance of the Subcommittees for effectiveness and efficiency.
A.10	Disclosure of information in respect of Directors in the Annual Report The following information pertaining to Directors are included in the Annual Report- Profiles of the Directors covering name, qualifications, nature of expertise and whether Executive/ Non Executive are indicated on pages 17 to 19. Related party information indicated on page 282 and 283. Directorships in other companies indicated on pages 17 to 19. Membership of Subcommittees and the number of Board and Subcommittee meetings attended during the year are indicated on page 90.
A.11	Appraisal of the Chief Executive Officer/ General Manager The performance evaluation of the General Manager is carried out annually based on the targets set at the commencement of the fiscal year in line with Corporate Plan by the Human Resource and Remuneration Committee and the final report is submitted to the Board.
B	Directors' Remuneration
B.1	There is a formal Remuneration Policy in place for the Chairman and Board of Directors (all Non-Executive). The above policy is formulated based on the circulars issued by the Government, the shareholder, from time to time and other applicable legislation. This Policy was revised during the year under review to accommodate new circulars issued by the Government.
B.2	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.)
B.3	Disclosure of Remuneration The Statement of Remuneration Policy for the Chairman and the Directors is contained in page 93 of this Annual Report. Details of remuneration paid to the Board as a whole is indicated on page 167. The composition of the Human Resource and Remuneration Committee appears on page 97.
C	Relations with Shareholders
C.1	The Government of Sri Lanka being the sole shareholder of the Bank, the Bank's communication with the shareholder happens in various forms. A Government representative (an officer from the Ministry of Finance) is on the Board, directly representing the shareholder and the Annual Report is placed before the Parliament of Sri Lanka and is open to question by the Parliament.
C.2	A Board approved Communication Policy is in place. Major issues and concerns of the shareholder viz. Government of Sri Lanka are discussed during the Board meetings with the participation of the direct Government representative on the Board and is elevated to the Ministry or higher levels as may be necessary. The Communication Policy was revised during the year under review.

Sections referred to in the code	Compliance status
C.3	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. 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 282 and 287.
D	Accountability and Audit
D.1	Financial and Business Reporting (The Annual Report) All measures are taken to ensure that the Annual Report presents a balanced assessment of the Bank's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects in an easily comprehensible manner. The Bank's financial statements presented in the Annual Report are balanced, understandable and prepared in accordance with the relevant laws and regulations with any deviation being clearly explained and portrays a true and fair view. It also ensures that a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented to meet statutory requirements. The Chief Financial Officer and the General Manager of the Bank give a statement indicating that the financial statements provide a true and fair view of the state of affairs of the Bank of Ceylon and its Group. The financial statements are reviewed and deliberated by the Board Audit Committee before recommending to the Board for its approval for publication. For the purpose of fulfilling the disclosure requirements, the following statements are included in the Annual Report - Annual Report of the Directors on the State of Affairs of the Bank on pages 115 to 119. Directors' Statement on Internal Control over Financial Reporting on page 122 and 123. Management Discussion and Analysis under Delivering Value on pages 74 to 83. Report on Related Party Transactions of the Key Management Personnel and their Close Family Members appearing on page 282 and 287. Statement of Directors' Responsibility for Financial Reporting on page 125. Report of the Auditor General on pages 126 to 129.
D.2	Bank's existing process on Risk Management and Internal Controls The Board is responsible for determining the nature and extent of the principal risks that it is willing to take in achieving its strategic objectives and the Board Integrated Risk Management Committee is there to facilitate the Board in fulfilling its oversight responsibilities in regard to the existence, operation and effectiveness of the Risk Management Programs, Policies and practices employed by the Bank to manage various types of risks, including compliance programs. The Board Audit Committee assists the Board in achieving the objective of the Bank's system of internal controls including operational, financial and compliance among other responsibilities of the Committee. The Board monitors the Bank's risk management and internal control systems through the Integrated Risk Management Committee and Audit Committee respectively and carries out a review of the said Committees' effectiveness annually. Bank of Ceylon has a well-equipped Internal Audit Department to carry out the internal audit function of the Bank. The Auditor General is the External Auditor of the Bank.

Compliance with Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka

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 is disclosed in the Audit Committee Report appearing on pages 94 of this Annual Report. The Audit Committee has a written Terms of Reference which clearly defines its role and responsibilities. The activities performed by the Committee during the year under review appears on pages 94 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 non 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 page 282 and 283 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 85 to 93 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 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 102 to 113. 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 provide 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 63 to 72 of this Annual Report.

Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of Compliance during the Year 2020
3 (1) The Responsibilities of the Board		
3 (1) (i)	The Board shall strengthen the safety and soundness of the bank by ensuring the implementation of the following: a. Approve and oversee the bank's strategic objectives and corporate values and ensure that these are communicated throughout the bank;	Complied with. Strategic objectives are formulated and values are reviewed at sessions held with the participation of the Board and the Key Management Personnel. The Board approved Corporate Plan together with the corporate values were communicated to staff up to Branch Manager level and reinforced by the Corporate Management Team. All other levels of staff were informed through regular briefing sessions and at meetings. The Board approved Corporate Plan for 2021 to 2023 is in place prepared considering the volatility in the local and global economic factors as a result of COVID-19 pandemic and the results of the new normal environment. The Corporate values are included in the intranet.
	b. Approve the overall business strategy of the bank, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least the next three years;	Complied with. The Bank's overall Business Strategy is included in the rolling Corporate Plan for a period of three years and the related Action Plan for the same period which was approved by the Board. The risk appetite, risk management framework and mechanisms have also been approved by the Board in line with the strategic plan. Measurable goals for the Bank as a whole have been set and performance is measured in line with these goals.
	c. Identify the principal risks and ensure implementation of appropriate systems to manage the risks prudently;	Complied with. The Board has appointed a Board Integrated Risk Management Committee tasked with approving the Bank's Integrated Risk Management Policy, defining the risk appetite, identifying principal risks, setting governance structures and implementing systems to measure, monitor and manage the principal risks. The Bank has implemented a process where the Board members discuss at length the risks arising out of new strategies and the ways and means to mitigate such risks. A Board approved Integrated Risk Management Policy covering all areas of major risks is in place. The following reports also provide further details in this regard: • Risk Management Report on pages 102 to 113. • Integrated Risk Management Committee Report on page 95 to 96.
	d. Approve implementation of a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers;	Complied with. Board has approved and implemented a Communication Policy covering all stakeholders which was reviewed during the year under review.
	e. Review the adequacy and the integrity of the bank's internal control systems and management information systems;	Complied with. The Board Audit Committee which reports to the Board is tasked with reviewing the adequacy and the integrity of the Bank's Internal Control System and Financial Reporting. This Committee reviewed reports from the Internal Audit Department, which reports directly to the Audit Committee and from the External Auditors in carrying out this task. The Board Audit Committee regularly follows up on the rectifications of the findings of the regulators as a tool for further strengthening the Internal Control System.

Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of Compliance during the Year 2020
		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.
	f. Identify and designate Key Management Personnel;	Complied with. The Bank has identified the General Manager, Senior Deputy General Managers, 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 Key Management Personnel through the Board Charter and position descriptions of KMP. A Board approved Board Charter is in place.
	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 to the Board on matters under their purview and are also called in by the Board as and when needed to explain matters relating to their areas.
	i. Periodically assess the effectiveness of the Board Directors' own governance practices, including: (i) the selection, nomination and election of Directors and Key Management Personnel; (ii) the management of conflicts of interests; and (iii) the determination of weaknesses and implementation of changes where necessary;	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 Key Management Personnel (viz. for the Corporate and Executive Management) is in place which was reviewed and revised by the Nomination and Corporate Governance Committee in year 2020 and recommended to the Board. Process improvements were proposed and 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 immediately.

Section	Principle	Level of Compliance during the Year 2020
		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.
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.	The Chairman is appointed by the Minister under whose purview the Bank falls in terms of the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. The Board generally appoints the Chief Executive Officer referred to as the General Manager in the Bank of Ceylon with the approval of the said Minister. During the 1st quarter of year 2020 the Board appointed an Acting General Manager on a Direction from the Minister of Finance, the Minister under whose purview the Bank falls. The Bank of Ceylon Ordinance and its amendments gives authority to the Minister to give directions in respect of the Bank. He was appointed as the General Manager of the Bank with the subsequent approval of the Board and the Central Bank of Sri Lanka. An internally formulated document is in place giving the criteria for selection of General Manager for Bank of Ceylon. The Board has also approved their functions and responsibilities maintaining the balance of power between the two roles through the Board Charter, which is in place.
3 (1) (iii)	The Board shall meet regularly and Board meetings shall be held at least twelve times a year at approximately monthly intervals. Such regular Board meetings shall normally involve active participation in person of a majority of Directors entitled to be present. Obtaining the Board's consent through the circulation of written resolutions/ papers shall be avoided as far as possible.	Complied with. Regular fortnightly Board meetings are held and special meetings are scheduled as and when the need arises. During the year under review the Board met twenty-seven times. The Bank endeavours to minimise obtaining approval via circular resolutions and it is done only on an exceptional basis and such resolutions are ratified by the Board at the next meeting. During the year 2020, nine such resolutions have been adopted by circulation.
3 (1) (iv)	The Board shall ensure that arrangements are in place to enable all Directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the bank.	Complied with. Meetings are scheduled and the Board is informed at the beginning of each calendar year to enable submission of proposals to the agenda for regular Board meetings.
3 (1) (v)	The Board procedures shall ensure that notice of at least seven days is given of a regular Board meeting to provide all Directors an opportunity to attend. For all other Board meetings, reasonable notice may be given.	Complied with. Notice of meetings are given through an Annual Calendar at the beginning of the year. Agenda and Board papers for the Board and Subcommittee meetings are circulated to the Directors seven days prior to the meetings through a secure e-Solution except for urgent papers that may come up. Reasonable notice is given before any special meeting and consent of all Directors are obtained prior to scheduling a special meeting.
3 (1) (vi)	The Board procedures shall ensure that a Director who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a Director. Participation at the Directors' meetings through an alternate Director shall, however, be acceptable as attendance.	Complied with. The Directors are apprised of the need for their attendance to be in accordance with the Corporate Governance Code. Details of the Directors' attendance are set out on page 90. Directors' attendance has been in compliance with this Direction.

Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of Compliance during the Year 2020
3 (1) (vii)	The Board shall appoint a Company Secretary who satisfies the provisions of Section 43 of the Banking Act No. 30 of 1988, whose primary responsibilities shall be to handle the secretariat services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Complied with. The Secretary, Bank of Ceylon/ Secretary to the Board is an Attorney-at-Law, whose credentials/ qualifications are in compliance with the provisions of Section 43 of the Banking Act No. 30 of 1988 and its amendments.
3 (1) (viii)	All Directors shall have access to advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable rules and regulations are followed.	Complied with. All members of the Board have the opportunity to obtain the advice and services of the Secretary to the Board who is an Attorney-at-Law and who is responsible to the Board for follow-up of Board procedures, compliance with rules and regulations, directions and statutes.
3 (1) (ix)	The Company Secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any Director.	Complied with. The Secretary, Bank of Ceylon/ Secretary to the Board maintains the minutes of the Board meetings and circulates same to all Board members through a secure e-Solution. The minutes are approved at the subsequent Board meeting. Additionally, the Directors have access to the past Board papers and minutes through the same e-Solution.
3 (1) (x)	Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes shall also serve as a reference for regulatory and supervisory authorities to assess the depth of deliberations at the Board meetings. Therefore, the minutes of a Board meeting shall clearly contain or refer to the following: a. a summary of data and information used by the Board in its deliberations; b. the matters considered by the Board; c. the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; d. the testimonies and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; e. the Board's knowledge and understanding of the risks to which the bank is exposed and an overview of the risk management measures adopted; and f. the decisions and Board resolutions.	Complied with. Minutes of the meetings are kept covering the given criteria.
3 (1) (xi)	There shall be a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the bank's expense. The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Director or Directors to discharge his/ her/ their duties to the bank.	Complied with. A Policy for Directors' Access to Independent Professional Advice is in place which was reviewed during the year under review. The Directors are able to obtain independent professional advice when deemed necessary based on this policy.

Section	Principle	Level of Compliance during the Year 2020
3 (1) (xii)	Directors shall avoid conflicts of interests, or the appearance of conflicts of interest, in their activities with, and commitments to, other organisations or related parties. If a Director has a conflict of interest in a matter to be considered by the Board, which the Board has determined to be material, the matter should be dealt with at a Board meeting, where Independent Non-Executive Directors [refer to Direction 3 (2) (iv) of these Directions] who have no material interest in the transaction, are present. Further, a Director shall abstain from voting on any Board resolution in relation to which he/ she or any of his/ her close relation or a concern, in which a Director has substantial interest, is interested and he/ she shall not be counted in the quorum for the relevant agenda item at the Board meeting.	Complied with. When there is a situation of a conflict of interest the Directors are conscious of their obligation to deal in accordance with the applicable regulations. A Board approved Policy on Conflict of Interest is in place. As a practice at every Board Meeting, Directors are required to declare any interest in contracts/ new appointments to any other Board or Institution. Directors abstain from participating in the discussions, voicing their opinion or approving in situations where there is a conflict of interest.
3 (1) (xiii)	The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the Direction and control of the bank is firmly under its authority.	Complied with. Powers reserved for the Board are included in the Board Charter.
3 (1) (xiv)	The Board shall, if it considers that the bank is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of Bank Supervision of the situation of the bank prior to taking any decision or action.	Complied with. Such a situation has not arisen during the year 2020. Monthly Financial Statements submitted to the Board assures the Board of the Bank's solvency.
3 (1) (xv)	The Board shall ensure that the bank is capitalised at levels as required by the Monetary Board in terms of the Capital Adequacy Ratio and other prudential grounds.	Complied with. The Board ensures that the Bank is capitalised at levels required by the Monetary Board in terms of the Capital Adequacy Ratio (CAR) and other prudential grounds. Calculation of CAR is submitted to the Board with the monthly Financial Statements of the Bank.
3 (1) (xvi)	The Board shall publish in the bank's Annual Report, an Annual Corporate Governance Report setting out the compliance with Direction 3 of these Directions.	Complied with. These disclosures are part of the Corporate Governance Report in the Bank's Annual Report.
3 (1) (xvii)	The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually, and maintain records of such assessments.	Complied with. A scheme of self-assessment is adopted. The self-assessment reports of the Board members are maintained by the Secretary, Bank of Ceylon/ Secretary to the Board.
3 (2) The Board's Composition		
3 (2) (i)	The number of Directors on the Board shall not be less than 7 and not more than 13.	According to the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments the number of Directors permitted on the Board of Bank of Ceylon is six. Composition of the Board in 2020 is given under Direction no. 3 (2)(viii) of this compliance report. Details of Board will be inserted in to the Annual Report. Amendments proposed to the Bank of Ceylon Ordinance which include the increase of number of Directors to accommodate the requirement of this Direction is being attended to.

Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of Compliance during the Year 2020
3 (2) (ii)	The total period of service of a Director other than a Director who holds the position of Chief Executive Officer shall not exceed nine years, and such period in office shall be inclusive of the total period of service served by such Director up to 1 January 2008.	Complied with. Directors of Bank of Ceylon have been in office for a period less than nine years. Details of their appointments are included in the Annual Report.
3 (2) (iii)	An employee of a bank may be appointed, elected or nominated as a Director of the bank (hereinafter referred to as an "Executive Director") provided that the number of Executive Directors shall not exceed one-third of the number of Directors of the Board. In such an event, one of the Executive Directors shall be the Chief Executive Officer of the bank.	Complied with. Bank of Ceylon Ordinance does not provide for Executive Directors in Bank of Ceylon.
3 (2) (iv)	The Board shall have at least three Independent Non-Executive Directors or one-third of the total number of Directors, whichever is higher. This sub-direction shall be applicable from 1 January 2010 onwards. A Non-Executive Director shall not be considered independent if he/ she: - 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: - 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.	Complied with. Only the Director representing the Ministry of Finance is considered Non-Independent since he represents the shareholder, the Government of Sri Lanka.
3 (2) (v)	In the event an Alternate Director is appointed to represent an Independent Director, the person so appointed shall also meet the criteria that applies to the Independent Director.	Complied with. No Alternate Director has been appointed to represent any Independent Director.

Section	Principle	Level of Compliance during the Year 2020
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.
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 2020 and as at present are given below: • Mr Kanchana Ratwatte Chairman/ Independent Non-Executive Director (Appointed w.e.f. 02 January 2020) • Ms Visakha Amarasekera Non-Executive Ex officio Director (Appointed w.e.f. 11 January 2020 and cased to be a Director w.e.f. 27 April 2020) • Mr R M Priyantha Rathnayake Non- Executive Ex Officio Director (Appointed w.e.f. 28 April 2020 in place of Ms Amarasekera) • 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) • Mr Lalith P Withana Independent Non-Executive Director (Appointed w.e.f. 14 January 2020. Resigned on 08 December 2020) • Mr Hasitha Premaratne Independent Non-Executive Director (Appointed w.e.f. 14 January 2020: Resigned on 08 December 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)
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.

Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of Compliance during the Year 2020
3 (2) (x)	All Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first General Meeting after their appointment.	This does not arise since the relevant Minister appoints Directors.
3 (2) (xi)	If a Director resigns or is removed from office, the Board shall a. announce the Director's resignation or removal and the reasons for such removal or resignation including but not limited to information relating to the relevant Director's disagreement with the bank, if any; and	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.
	b. issue a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.	The Shareholder of the Bank is the Government and the changes to the Directorate is 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 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.
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.	Complied with. This situation has not arisen during the year under review.

Section	Principle	Level of Compliance during the Year 2020
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.
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.	The provisions in the governing Ordinance are considered in this process.
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 who functioned in 2020 and also functioning currently.
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.

Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of Compliance during the Year 2020
3 (5) (vi)	The Chairman shall ensure that all Directors are properly briefed on issues arising at Board meetings and also ensure that Directors receive adequate information in a timely manner.	Complied with. The Chairman ensures that the Board is adequately briefed. The following procedures are in place to ensure this: • Board papers are circulated seven days prior to the Board meetings through a secured electronic link except for few exceptions which are submitted 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. The Government being the sole shareholder, the Annual Report of the Bank is submitted to the Parliament of Sri Lanka and to the Ministry in charge of the Bank.

Section	Principle	Level of Compliance during the Year 2020
3 (6) (ii)	The following rules shall apply in relation to the Audit Committee:	Complied with.
	a. The Chairman of the Committee shall be an Independent Non-Executive Director who possesses qualifications and experience in accountancy and/ or audit.	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.
	c. The Committee shall make recommendations on matters in connection with:	Complied with.
	(i) the appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes;	In accordance with the Terms of Reference, the Audit Committee makes the following recommendations among many others:
	(ii) the implementation of the Central Bank Guidelines issued to Auditors from time to time;	- The implementation of the Central Bank Guidelines issued to auditors from time to time. - The application of the relevant accounting standards
	(iii) the application of the relevant accounting standards; and	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.
	(iv) the service period, audit fee and any resignation or dismissal of the Auditor; provided that the engagement of the Audit partner shall not exceed five years, and that the particular Audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.	
	d. The Committee shall review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices	The Bank's Auditor being the Auditor General, his independence and effectiveness is guaranteed under the Constitution of Sri Lanka.
	e. The Committee shall develop and implement a policy on the engagement of an External Auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the Committee shall ensure that the provision by an External Auditor of non- audit services does not impair the External Auditor's independence or objectivity. When assessing the External Auditor's independence or objectivity in relation to the provision of non-audit services, the Committee shall consider:	This does not arise since the Auditor General is the Auditor of the Bank.
	(i) whether the skills and experience of the audit firm make it a suitable provider of the non-audit services;	However, the Committee ensures that provision by an audit firm (if 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.
	(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.	

Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of Compliance during the Year 2020
	f. The Committee shall, before the audit commences, discuss and finalise with the External Auditors the nature and scope of the audit, including: (i) an assessment of the bank's compliance with the relevant Directions in relation to corporate governance and the management's internal controls over financial reporting; (ii) the preparation of Financial Statements for external purposes in accordance with relevant accounting principles and reporting obligations; and (iii) the coordination between firms where more than one audit firm is involved.	The scope and the extent of audit is determined by the Auditor General.
	g. The Committee shall review the financial information of the bank, in order to monitor the integrity of the Financial Statements of the bank, its Annual Report, accounts and quarterly reports prepared for disclosure, and the significant financial reporting judgements contained therein. In reviewing the bank's Annual Report and accounts and quarterly reports before submission to the Board, the Committee shall focus particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.	Complied with. There is a continuing process carried out in reviewing monthly, quarterly and annual financials of the Bank by the Committee and recommendations are made to the Board.
	h. The Committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the Auditor may wish to discuss including those matters that may need to be discussed in the absence of Key Management Personnel, if necessary.	Complied with. The Committee discusses issues, problems and reservations arising from the interim and final audits. The representative of the Auditor General was present at Committee meetings throughout. "Closed door meetings" are facilitated to the said representative.
	i. The Committee shall review the External Auditor's Management Letter and the management's response thereto.	Complied with.
	j. The Committee shall take the following steps with regard to the internal audit function of the bank: (i) Review the adequacy of the scope, functions and resources of the Internal Audit Department, and satisfy itself that the Department has the necessary authority to carry out its work; (ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit Department;	Complied with. The 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. Complied with. The Committee reviews the internal audit programme and results of the internal audit procedures and ensures that appropriate actions are taken for improvements.

Section	Principle	Level of Compliance during the Year 2020
	(iii) Review any appraisal or assessment of the performance of the head and senior staff members of the Internal Audit Department;	Performance appraisal of Chief Internal Auditor was carried out by the Audit Committee in year 2020. Performance evaluation of senior staff members is carried out according to the Board approved evaluation process by the Chief Internal Auditor and it is before the Committee.
	(iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;	Complied with.
	(v) Ensure that the Committee is appraised of resignations of senior staff members of the Internal Audit Department including the Chief Internal Auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning;	Complied with. Such a situation has not arisen during the year.
	(vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care.	Complied with. According to the organisation structure of the Bank, the Chief Internal Auditor reports directly to the Board through the Audit Committee and he is independent of any operations of the Bank.
	k. The Committee shall consider the major findings of internal investigations and management's responses thereto.	Complied with. The Audit Committee has reviewed the major findings of internal investigations and management responses thereto.
	l. The Chief Finance Officer, the Chief Internal Auditor and a representative of the External Auditors may normally attend meetings. Other Board members and the Chief Executive Officer may also attend meetings upon the invitation of the Committee. However, at least twice a year, the Committee shall meet with the External Auditors without the Executive Directors being present.	Complied with. The Chief Financial Officer, Chief Internal Auditor, Chief Risk Officer and 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.
	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 already met seven 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.

Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of Compliance during the Year 2020
	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 94. The attendance details of the Committee is disclosed in the Annual Report in page no 90.
	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 and significant findings are reported to the Audit Committee for appropriate follow-up action. The Audit Committee is the key representative body for overseeing the Bank's relations with the External Auditor viz. the Auditor General in the case of Bank of Ceylon.
3 (6) (iii)	The following rules shall apply in relation to the Human Resources and Remuneration Committee: a. The Committee shall determine the remuneration policy (salaries, allowances and other financial payments) relating to Directors, Chief Executive Officer (CEO) and Key Management Personnel of the bank.	Complied with. The Remuneration for Directors is according to the circulars/ letters issued by the Government of Sri Lanka through the relevant Ministry and the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. The Bank has adopted a Remuneration Policy based on the said circulars/ letters and the Ordinance, which was revised during the year 2020. The Board approved Remuneration Policy for the Key Management Personnel is in place. The Committee makes recommendations of the remuneration of the GM and KMP once in three years and submit to the Board and also obtains approval of the Minister under whose purview the Bank falls.
	b. The Committee shall set goals and targets for the Directors, CEO and the Key Management Personnel.	Complied with. In respect of 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. 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.	Mid year evaluation of KMP against the Corporate Plan 2020/ 2022 targets agreed upon at the beginning of the year was carried out. 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 2020.

Section	Principle	Level of Compliance during the Year 2020
	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 declarations 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.
3 (6) (v)	The following rules shall apply in relation to the Integrated Risk Management Committee: a. The Committee shall consist of at least three Non-Executive Directors, Chief Executive Officer and Key Management Personnel supervising broad risk categories, i.e. credit, market, liquidity, operational and strategic risks. The Committee shall work with Key Management Personnel very closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.	Complied with. The Committee comprises three Non-Executive Directors, 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.

Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of Compliance during the Year 2020
	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 six times. Details of meetings and attendance are given on page 90.
	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.	Complied with. Formal documented disciplinary action procedure is in place in the Bank.
	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.

Section	Principle	Level of Compliance during the Year 2020
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: - Any of the bank’s subsidiary companies; - Any of the bank’s associate companies; - Any of the Directors of the bank; - Any of the bank’s Key Management Personnel; - A close relation of any of the bank’s Directors or Key Management Personnel; - A shareholder owning a material interest in the bank; - 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.	Complied with. A Policy on Related Party Disclosures is in place which was reviewed at the beginning of year 2020 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. Directors who have related party transactions are individually requested to declare their transactions. Transactions are monitored through an automated system.
3 (7) (ii)	The type of transactions with related parties that shall be covered by this Direction shall include the following: - The grant of any type of accommodation, as defined in the Monetary Board’s Directions on maximum amount of accommodation; - The creation of any liabilities of the bank in the form of deposits, borrowings and investments; - The provision of any services of a financial or non-financial nature provided to the bank or received from the bank; - The creation or maintenance of reporting lines and information flows between the bank and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.	Complied with. Information in this regard, is disclosed in the Annual Report.
3 (7) (iii)	The Board shall ensure that the bank does not engage in transactions with related parties as defined in Direction No. 3 (7) (i) above, in a manner that would grant such parties “more favourable treatment” than that accorded to other constituents of the bank carrying on the same business. In this context, “more favourable treatment” shall mean and include treatment, including the: - 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: “Accommodation” shall mean accommodation as defined in the banking Act Direction No. 7 of 2007 on Maximum Amount of Accommodation. - 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.	Complied with. The Bank has implemented a Board approved process to monitor related party transactions which is monitored by the Compliance Division and compliance status is indicated in the monthly Compliance Report submitted to the Board. Further, related party transactions are reported to the Audit Committee on a quarterly basis. Any non-compliance brought to the notice of the Board would be addressed by the Board.

Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of Compliance during the Year 2020
	b. Charging of a lower rate of interest than the bank's best lending rate or paying more than the bank's deposit rate for a comparable transaction with an unrelated comparable counterparty; c. Providing of preferential treatment, such as favourable terms, covering trade losses and/ or waiving fees/ commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties; d. Providing services to or receiving services from a related-party without an evaluation procedure; e. Maintaining reporting lines and information flows that may lead to sharing potentially proprietary, confidential or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions.	
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.

Section	Principle	Level of Compliance during the Year 2020
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 2020.
3 (8) Disclosure		
3 (8) (i)	The Board shall ensure that: a. annual Audited Financial Statements and quarterly Financial Statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards; and that b. such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.	Complied with.
3 (8) (ii)	The Board shall ensure that the following minimum disclosures are made in the Annual Report: a. A statement to the effect that the Annual Audited Financial Statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Complied with. Disclosed in the “Annual Report of the Directors on the State of Affairs of the Bank”, on pages 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 page 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 16 to 19. Directors’ Interest in Contracts with the Bank are given on pages 120 to 121. Remuneration paid by the Bank are given in Note 16 to the Financial Statements on page 167.

Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of Compliance during the Year 2020																				
	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 2020 as a percentage of the Bank's regulatory capital is given below:																				
		Complied with. <table><tr><td></td><td>LKR '000</td><td>%</td></tr><tr><td>Key Management Personnel (KMP)</td><td>578,801</td><td>0.29</td></tr><tr><td>Subsidiaries</td><td>1,727,739</td><td>0.87</td></tr><tr><td>Associates</td><td>140,084</td><td>0.07</td></tr><tr><td>Government and Government-related entities (Refer definition in Note 59.4 of Financial Statements)</td><td>1,659,586,436</td><td>839.02</td></tr></table>		LKR '000	%	Key Management Personnel (KMP)	578,801	0.29	Subsidiaries	1,727,739	0.87	Associates	140,084	0.07	Government and Government-related entities (Refer definition in Note 59.4 of Financial Statements)	1,659,586,436	839.02					
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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 2020 are stated below: <table><tr><td></td><td>LKR '000</td></tr><tr><td>Short-term employment benefits</td><td>506,985</td></tr><tr><td>Post-employment benefits</td><td>106,261</td></tr></table> In addition to above, the Bank has also paid non-cash benefits such as use of vehicles to KMP in line with the approved benefit plan of the Bank. <table><tr><td></td><td>LKR '000</td></tr><tr><td>Loans</td><td>503,994</td></tr><tr><td>Overdrafts</td><td>1,824</td></tr><tr><td>Credit cards</td><td>9,604</td></tr><tr><td>Deposits</td><td>726,974</td></tr><tr><td>Debentures</td><td>2,697</td></tr><tr><td>Undrawn facilities</td><td>72,084</td></tr></table>		LKR '000	Short-term employment benefits	506,985	Post-employment benefits	106,261		LKR '000	Loans	503,994	Overdrafts	1,824	Credit cards	9,604	Deposits	726,974	Debentures	2,697	Undrawn facilities	72,084
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	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.																				

Section	Principle	Level of Compliance during the Year 2020
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 2020 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 2020 Quarter 2 ended 30 June 2020 Quarter 3 ended 30 September 2020 Quarter 4 ended 31 December 2020	15 May 2020 14 August 2020 13 November 2020 25 February 2021

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 2020 was submitted on 30 March 2021. Annual Report for the year 2020 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 Notes to the Financial Statements	115 140
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.	378, 381
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 32 and 33 to the Financial Statements	220-241
7.6.(ix)	Number of shares representing the entity's stated capital.	Note 49.1 to the Financial Statements	269
7.6.(x)	A distribution schedule of the number of holders in each class of equity securities and percentage of their total holdings.	Supplementary Information	366

Rule No.	Disclosure Requirement	Reference/ Comments	Page No
7.6.(xi)	Ratios and market price information:		
	1. Dividend per share, net assets value per share, interest rate of comparable Government Securities, Debt/ equity ratio, interest cover and liquid asset ratio.	Notes 19 and 49.2 to the Financial Statements. Supplementary Information	171, 269 366
	2. Market information on listed debentures.	Note 48 to the Financial Statements. Supplementary Information	266-269 366
	3. Any changes in credit rating.	Corporate Information	399
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 33 to the Financial Statements.	222-241
7.6.(xiii)	During the year the entity has raised funds either through a public issue, rights issue and private placement.	Notes 43,48 and 49 to the Financial Statements.	250-251, 266 and 269
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	381

Compliance Requirements Enforced by the Central Bank of Sri Lanka

Circular No.	Requirement	Period	Date Published in Sinhala, Tamil and English Newspapers
02/04/003/0401/001 30 September 2005	The publication should be made within two months from the end of each quarter, at least once in an English, Sinhala and Tamil newspaper.	Quarter 1 ended 31 March 2020 Quarter 2 ended 30 June 2020 Quarter 3 ended 30 September 2020	05 June 2020 28 August 2020 27 November 2020
02/04/003/0401/001 21 February 2006	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 the circular dated 30 September 2005 would not be mandatory.	Quarter 4 ended 31 December 2020 (Audited)	31 March 2021

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 20 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, 26 and 62 to the Financial Statements
(ii) Reclassifications of financial instruments from one category to another	Note 61.4 to the Financial Statements
(iii) Information about financial assets pledged as collateral and about financial or non-financial assets held as collateral	Note 56 the Financial Statements
(iv) Reconciliation of the allowance account for credit losses by class of financial assets	Note 27.1 and 27.2 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 17 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 29, 38 to 43 and 48 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 29 to the Financial Statements

(ii) Fair value of each investment at the reporting date	Note 29.2 and 29.3 to the Financial Statements
(iii) Comparable carrying amounts	Note 29 to the Financial Statements
(iv) Description of how fair value was determined	Note 61 to the Financial Statements
(v) Dividends recognised during the period, separately for investments derecognised during the reporting period and those held at the reporting date.	Note 13 to the Financial Statements
(vi) Transfer cumulative gain or loss within equity during the period and the reasons for those transfers	Note 12 to the Financial Statements
(vii) If investments in equity instruments measured at FVOCI are derecognised during the reporting period,	None
- Reasons for disposing of the investments	
- Fair value of the investments at the date of derecognition	
- The cumulative gain or loss on disposal	
1.3.4 Reclassification of financial assets	
(i) For all reclassifications of financial assets in the current or previous reporting period	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 of FVOCI	None
- The effective interest rate (EIR) determined on the date of reclassification	
- the interest revenue recognised	
(iii) For reclassifications from FVOCI to amortised cost, or from FVTPL to amortised cost or FVOCI	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	None
1.3.6 Information about the fair values of each class of financial asset and financial liability, along with:	
(i) Comparable carrying amounts	Note 61 to the Financial Statements
(ii) Description of how fair value was determined	Note 61 to the Financial Statements
(iii) The level of inputs used in determining fair value	Note 61 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 61.1.3 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 62 to the Financial Statements
2.1.2 Management's objectives, policies, and processes for managing those risks.	Risk Report
2.1.3 Changes from the prior period	Risk Report
2.2 Quantitative disclosures	
2.2.1 Summary of quantitative data about exposure to each risk at the reporting date	Note 62 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 62 to the Financial Statements
(i) Credit Risk	Note 62.2 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 62.2.2 to the Financial Statements

Compliance Requirements Enforced by the Central Bank of Sri Lanka

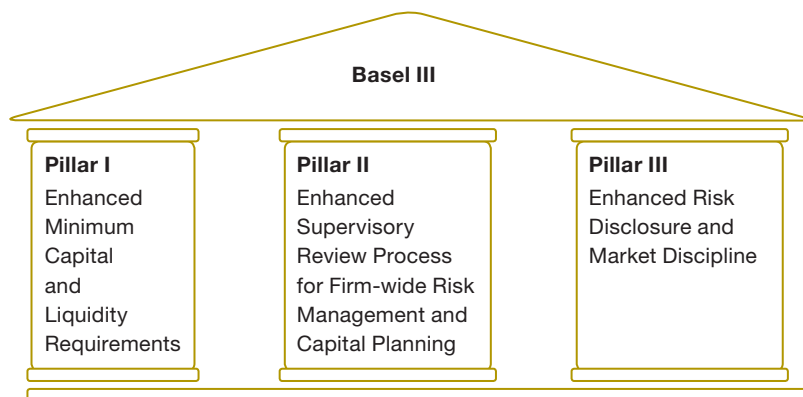
(b) For financial assets that are past due or impaired, disclosures on age, factors considered in determining as impaired and the description of collateral on each class of financial asset	Note 62.2.1 to the Financial Statements
(c) Information about collateral or other credit enhancements obtained or called	Note 62.2.2.1 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 - 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	Note 27 and 62 to the Financial Statements
(e) ECL calculations - 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	Note 27 to the Financial Statements
(f) Amounts arising from ECL - Reconciliation for each class of financial instruments of the opening balance to the closing balance of the impairment loss allowance	Note 21, 23, 27 and 28 to the Financial Statements
(g) Collateral - Bank's maximum exposure to credit risk at the reporting date - Description of collateral held as security and other credit enhancements	Note 62.2.2 to the Financial Statements
(h) Written – off assets - Contractual amount outstanding of financial assets written off during the reporting period that are still subject to enforcement activity.	Note 27 to the Financial Statements
(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 58 to the Financial Statements
(b) Description of approach to risk management	Risk Report and Note 62.3 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 62.4 to the Financial Statements
(b) Additional information, if the sensitivity analysis is not representative of the Bank's risk exposure	Note 62.4 to the Financial Statements
(c) Pillar III disclosures of the Banking Act Directions No. 1 of 2016 on Capital requirements under Basel III for Licensed Banks	Capital Adequacy in Compliance annexes

(iv) Operational Risk	
Pillar III disclosures of the Banking Act Direction No. 1 of 2016 on Capital requirements under Basel III for Licensed Banks	Capital Adequacy in Compliance annexes
(v) Equity risk in the banking book	
(a) Qualitative disclosures	
- Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons	Note 26 and 29 to the Financial Statements
- Discussion of important policies covering the valuation and accounting of equity holdings in the banking book	Note 26 and 29 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 26.2, 29.2 and 29.3 to the Financial Statements
- The types and nature of investments	Note 26 and 29 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 62.4.2 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 62.4.1 to the Financial Statements
2.2.3 Information on concentrations of risk	Note 62.2.4 to the Financial Statements
3. Other Disclosures	
3.1 Capital	
3.1.1 Capital structure	Note 49 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 48 to the Financial Statements Equity - Note 49
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 62.6 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

Basel III is a set of precautionary measures imposed on banks and are made to protect the economy from financial crises similar to that of recent years (2007-2008). Principally they aim to ensure banks accept a level of responsibility for the financial economy they operate within and to act as a safeguard against further collapse. It is intended to strengthen bank capital requirements by increasing bank liquidity and decreasing bank leverage.



Basel III represents the biggest regulatory change that the banking industry has seen in decades. It is salutary to remember that it is only one, albeit very important, component of a suite of related reforms that are changing banking, regulation, supervision and the relationship between banks and the state.

The new guidelines require banks and financial institutions to hold more capital and higher quality of capital than under Basel II rules. The new Leverage Ratio introduces a non-risk based measure to supplement the risk-based minimum capital requirements. The new liquidity ratios ensure that adequate funding is maintained in case there are other severe banking crises.

Main Features of the Basel III

- **Capital Conservation Buffer** - An additional layer of common equity that, when breached, restricts payouts of earnings to help protect the minimum common equity requirement.
- **Countercyclical Capital Buffer**, which places restrictions on participation by banks in system-wide credit booms with the aim of reducing their losses in credit bursts.
- **Additional capital requirement for domestic systemically important banks (D-SIBs).** Primary objective of the implementation of the D-SIBs framework is D-SIBs to hold higher capital buffers and to provide incentives to reduce their systemic importance on the domestic economy. According to the Central bank of Sri Lanka D-SIB framework, four banks in Sri Lanka have been identified as D-SIBs in the banking sector including BoC.
- **Leverage ratio** – a minimum amount of loss-absorbing capital, relative to all of a bank's assets and off-balance sheet exposures regardless of risk weighting. Leverage ratio have been implemented in Sri Lanka from 01.01.2019, with minimum Leverage Ratio of 3% need to be maintained by all the licensed banks.

- **Liquidity requirements** - a minimum liquidity ratio, the liquidity coverage ratio (LCR), intended to provide enough cash to cover funding needs over a 30-day period of stress; and a longer-term ratio, the net stable funding ratio (NSFR), intended to address maturity mismatches over the entire balance sheet.

Basel III capital requirements for Bank of Ceylon from 01.01.2019 as follows.

Components of Capital	01.01.2019
Common Equity Tier 1	4.50%
Capital Conservation Buffer *	2.50%
Surcharge on Domestic Systemically Important banks(D-SIBs)	1.50%
Additional Tier 1 Capital	1.50%
Total Tier 1 Capital	10.00%
Minimum Total Capital Ratio + Capital Conservation Buffer +Capital surcharge on D-SIBs	14.00%

*However, due to the COVID-19 situation, Central Bank of Sri Lanka (CBSL) on its letter dated 27 March 2020, to all CEOs of the banks (Extraordinary measures taken by the CBSL to provide flexibility to Licensed banks to support Business and Individuals affected by the COVID-19) has allowed Domestic Systemically Important banks to drawdown the Capital Conservation buffer by 100 bps. However, CBSL have not indicated the duration of this Flexibility.

The complexity and demands of Basel III and the commercial demands of the banking world will require a flexible Basel III management solution that delivers speed, accuracy and performance to deliver competitive advantage. In addition, those banks that implement the optimal solution will not only have an ideal platform for

delivering Basel III, they will also have a solid platform for their future commercial development.

Since CBSL issued their first consultation paper for Basel III implementation in April 2015, Bank of Ceylon commenced its preparation towards Basel III by implementing well formulate strategic policies. By enhancing capital base and applying risk-mitigating techniques, Bank able to maintain the ratio well above the regulatory requirements as of 31 December 2020.

Additional Tier I Capital Bond Issuance

Bank able to successfully raised LKR 15 billion Additional Tier I Capital Bonds during the year 2020 to bolster its Tier I capital ratio despite challenging market and economic conditions due to COVID-19 pandemic. This has significantly improved Bank's Tier I capital base, which will allow the bank to have more cushion for further credit expansion in near future. Furthermore internally generated funds during the year has augment Bank's capital base, enabled the bank to meet the regulatory capital adequacy requirements under the Basel III.

Basel III Disclosure Requirements

Key Regulatory Ratios - Capital and Liquidity

Item	31.12.2020	
	Bank	Group
Regulatory Capital (LKR '000)		
Common Equity Tier 1	134,161,198	139,751,189
Tier 1 Capital	149,161,198	154,751,189
Total Capital	197,801,611	204,636,436
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 7.50%)	10.09	10.19
Tier 1 Capital Ratio (Minimum Requirement - 9.00%)	11.22	11.28
Total Capital Ratio (Minimum Requirement - 13.00%)	14.88	14.92
Leverage Ratio (%) (Minimum Requirement - 3.00%)	4.68	4.78

Item	Bank	
	31.12.2020	31.12.2019
Regulatory Liquidity		
Statutory Liquid Assests - Domestic (LKR '000)	625,559,328	547,432,530
Statutory Liquid Assests - FCBU (USD '000)	855,315	717,216
Statutory Liquid Assests Ratio (Minimum Requirement- 20%)		
Domestic Banking Unit (%)	26.57	24.57
Off -Shore Banking Unit (%)	29.48	58.32
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement 2020-90%, 2019 - 100%)	190.00	188.19
Liquidity Coverage Ratio (%) - All Currency (Minimum Requirement 2020-90%, 2019 -100%)	136.97	125.62
Net Stable Funding Ratio (%) (Minimum Requirement 2020- 90%, 2019 -100%)	131.00	135.71

Capital Adequacy

Basel III Computation of Capital Ratios - 31.12.2020

Item	Bank	Group
	LKR '000	LKR '000
Common Equity Tier 1 (CET 1) Capital after Adjustments	134,161,198	139,751,189
Common Equity Tier 1 (CET 1) Capital	141,144,819	143,850,256
Equity Capital (Stated Capital)/ Assigned Capital	25,000,000	25,000,000
Reserve Fund	13,739,000	13,739,000
Published Retained Earnings/ (Accumulated Retained Losses)	98,832,316	99,506,759
Published Accumulated other Comprehensive Income (OCI)	1,022,614	1,543,889
General and other Disclosed Reserves	2,550,889	4,060,608
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	6,983,621	4,099,066
Goodwill (net)	-	-
Intangible Assests (net)	977,510	1,185,226
Revaluation losses of property, plant and equipment	180,879	180,879
Deferred tax assets (net)	754,658	831,531
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	462,112	453,669
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	3,160,701	-
Shortfall of capital in financial subsidiaries	1,447,761	1,447,761
Additional Tier 1 (AT I) capital after adjustment	15,000,000	15,000,000
Additional Tier 1 (AT I) capital	15,000,000	15,000,000
Qualifying Additional Tier 1 Capital Instruments	15,000,000	15,000,000
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	48,640,413	49,885,247
Tier 2 Capital	49,502,608	50,731,681
Qualifying Tier 2 Capital Instruments	27,746,446	28,546,446
Revaluation Gains	6,556,298	6,556,298
General Provisions	15,199,864	15,628,937
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustment to Tier 2	862,195	846,434
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	862,195	846,434
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	134,161,198	139,751,189
Total Tier 1 Capital	149,161,198	154,751,189
Total Capital	197,801,611	204,636,436

Basel III Computation of Capital Ratios - 31.12.2020

Item	Bank	Group
	LKR '000	LKR '000
Total Risk Weighted Assets (RWA)	1,329,287,702	1,371,357,166
RWAs for Credit Risk	1,215,989,144	1,250,314,959
RWAs for Market Risk	10,134,831	10,134,831
RWAs for Operational Risk	103,163,728	110,907,376
CET I Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer and Surcharge on D-SIBs) (%)	10.09	10.19
of which: Capital Conservation Buffer (%)	1.50	1.50
of which: Countercyclical Buffer (%)	N/A	N/A
of which: Capital Surcharge on D- SIBs (%)	1.50	1.50
Total Tier 1 Capital Ratio (%)	11.22	11.28
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer and Surcharge on D- SIBs) (%)	14.88	14.92
of which: Capital Conservation Buffer (%)	1.50	1.50
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 31.12.2020

Item	Bank	Group
	LKR '000	LKR '000
Tier 1 Capital	149,161,198	154,751,189
Total Exposures	3,187,844,697	3,236,279,570
On-Balance Sheet Items (Excluding Derivatives and Securities Financing Transactions, but including Collateral)	2,970,054,698	3,016,722,417
Derivative Exposures	1,800,046	1,800,046
Securities Financing Transaction Exposures	64,840,575	66,607,729
Other Off-Balance Sheet Exposures	151,149,378	151,149,378
Basel III Leverage Ratio (%) (Tier 1 Capital/ Total Exposure)	4.68	4.78

Net Stable Funding Ratio (NSFR) as at 31.12.2020 (Bank only)

Item	2020	2019
	LKR '000	LKR '000
Total Available Stable Funding	2,186,814,087	1,772,819,473
Required Stable Funding – On Balance Sheet Assets	1,652,394,020	1,297,594,516
Required Stable Funding – Off Balance Sheet Items	14,220,143	13,781,681
Total Required Stable Funding	1,666,614,164	1,311,376,197
NSFR (%)	131.00	135.71

Capital Adequacy

Basel III computation of Liquidity Coverage Ratio - All Currency (Bank Only)

Item	Amount (LKR'000)			
	31.12.2020		31.12.2019	
	Total Un-Weighted Value	Total Weighted Value	Total Un-Weighted Value	Total Weighted Value
Total Stock of High - Quality Liquid Asset (HQLA)	526,041,060	526,041,060	373,989,169	370,026,326
Total Adjusted Level I Assets	488,620,570	488,620,570	370,147,136	370,147,136
Level 1 Assets	483,369,807	483,369,807	367,930,309	367,930,309
Total Adjusted Level 2A Assets	48,074,816	40,863,594	500,000	425,000
Level 2A Assets	48,074,816	40,863,594	500,000	425,000
Total Adjusted Level 2B Assets	3,615,319	1,807,660	3,342,033	1,671,017
Level 2B Assets	3,615,319	1,807,660	3,342,033	1,671,017
Total Cash Outflows	2,971,236,389	446,323,071	2,417,519,836	376,395,054
Deposits	1,938,165,827	193,816,583	1,478,983,726	147,898,373
Unsecured Wholesale Funding	509,999,980	223,439,248	482,106,435	200,281,193
Secured Funding Transactions	46,325,689	-	23,239,055	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	476,744,893	29,067,241	433,190,619	28,215,488
Additional Requirements	-	-	-	-
Total Cash Inflows	138,824,216	62,258,492	137,853,615	81,834,633
Maturing Secured Lending Transaction Backed by Collateral	2,000,000	-	2,179,000	-
Committed Facilities	5,000,000	-	5,000,000	-
Other Inflows by Counterparty which are Maturing Within 30 Days	92,215,434	61,816,854	114,263,931	81,713,045
Operational Deposits	39,167,144	-	16,289,096	-
Other Cash Inflows	441,638	441,638	121,588	121,588
Liquidity Coverage Ratio (%) (Stock of High quality Liquid Assets/ Total Net Cash Outflows over the Next 30 Calendar Days)*100		136.97		125.62

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	LK0357D20462	LK0357D20439	LK0357D20454	LK0357D20470	LK0357D22542
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	25-Oct-13	25-Oct-13	22-Sep-14
Par Value of Instrument -LKR	100	100	100	100	100
Issued quantity (No of Debentures)	11,990,000	10,000	12,000,000	16,000,000	18,334,950
Issued Quantity (LKR '000)	1,199,000	1,000	1,200,000	1,600,000	1,833,495
Perpetual or Dated					
Original Maturity Date, if Applicable	24-Oct-21	24-Oct-21	24-Oct-22	24-Oct-23	21-Sep-22
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	239,800	200	480,000	960,000	641,723
Accounting Classification (equity/ Liability)	Liability	Liability	Liability	Liability	Liability
Coupons/ Dividends					
Fixed or Floating Dividend/ Coupon	FIXED	FLOATING	FIXED	FIXED	FIXED
Coupon Rate and any Related Index %	13.25	12.99	13.25	13.25	8.25
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 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	LK0357D22559	LK0357D23177	LK0357D23219	LK0357D23763	LK0357D23797
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	22-Sep-14	6-Oct-15	6-Oct-15	29-Dec-16	29-Dec-16
Par Value of Instrument -LKR	100	100	100	100	100
Issued quantity (No of Debentures)	300	11,802,560	20,405,480	79,981,764	10,200
Issued Quantity (LKR '000)	30	1,180,256	2,040,548	7,998,176	1,020
Perpetual or Dated					
Original Maturity Date, if Applicable	21-Sep-22	5-Oct-23	5-Oct-23	28-Dec-21	28-Dec-21
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	11	649,141	1,122,301	1,599,635	204
Accounting Classification (equity/ Liability)	Liability	Liability	Liability	Liability	Liability
Coupons/ Dividends					
Fixed or Floting Dividend/ Coupon	FLOATING	FIXED	FLOATING	FIXED	FLOATING
Coupon Rate and any Related Index %	10.43	9.50	13.05	13.25	12.68
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 Regulatory Capital Instruments

Description of the Capital Instrument					
Issuer	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon
Unique Identifier	LK0357D23771	LK0357D23789			
Governing Laws of the Instrument	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka
Original Date of Issuance	29-Dec-16	29-Dec-16	29-Dec-17	29-Dec-17	31-Jul-18
Par Value of Instrument - LKR	100	100	100	100	100
Issued quantity (No of Debentures)	7,836	200	50,000,000	10,000,000	67,000,000
Issued Quantity (LKR '000)	784	20	5,000,000	1,000,000	6,700,000
Perpetual or Dated					
Original Maturity Date, if Applicable	28-Dec-24	28-Dec-24	28-Dec-25	28-Dec-22	30-Jul-26
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	627	16	5,000,000	400,000	6,700,000
Accounting Classification (equity/ Liability)	Liability	Liability	Liability	Liability	Liability
Coupons/ Dividends					
Fixed or Floting Dividend/ Coupon	FIXED	FLOATING	FIXED	FIXED	FIXED
Coupon Rate and any Related Index %	12.75	12.68	12.75	12.50	12.00
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 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	3-Dec-18	27-Jun-19	17-Jul-19	18-Jul-19	23-Jul-19
Par Value of Instrument - LKR	100	100	100	100	100
Issued quantity (No of Debentures)	53,000,000	30,000,000	10,488,500	22,000,000	25,000,000
Issued Quantity (LKR '000)	5,300,000	3,000,000	1,048,850	2,200,000	2,500,000
Perpetual or Dated			Dated	Dated	Dated
Original Maturity Date, if Applicable	2-Dec-23	26-Jun-24	16-Jul-24	17-Jul-24	22-Jul-24
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	3,180,000	2,100,000	786,638	1,650,000	1,875,000
Accounting Classification (equity/ Liability)	Liability	Liability	Liability	Liability	Liability
Coupons/ Dividends					
Fixed or Floting Dividend/ Coupon	FIXED	FIXED	FIXED	FIXED	FIXED
Coupon Rate and any Related Index (%)	12.00	11.75	12.00	12.00	12.00
Non-Cumulative or Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative
Convertible or Non-Convertible	Non Convertible	Non Convertible	Non Viability write down	Non Viability write down	Non Viability write down

Description of the Capital Instrument		
Issuer	Bank of Ceylon	Bank of Ceylon
Unique Identifier		
Governing Laws of the Instrument	Laws of Sri Lanka	Laws of Sri Lanka
Original Date of Issuance	24-Jul-19	26-Jul-19
Par Value of Instrument - LKR	100	100
Issued quantity (No of Debentures)	4,000,000	611,500
Issued Quantity (LKR '000)	400,000	61,150
Perpetual or Dated	Dated	Dated
Original Maturity Date, if Applicable	23-Jul-24	25-Jul-27
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	300,000	61,150
Accounting Classification (equity/ Liability)	Liability	Liability
Coupons/ Dividends		
Fixed or Floting Dividend/ Coupon	FIXED	FIXED
Coupon Rate and any Related Index (%)	12.00	12.00
Non-Cumulative or Cumulative	Non-Cumulative	Non-Cumulative
Convertible or Non-Convertible	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 31.12.2020					
	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	1,159,617,612	19,208,230	1,159,617,612	3,841,646	62,363,385	5.36
Claims on Foreign Sovereigns and their Central Bank	24,846,971	-	24,846,971	-	23,453,174	94.39
Claims on Public Sector Entities	449,897,421	153,885,381	92,494,093	27,946,908	108,441,001	90.04
Claim on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	76,477,310	25,257,744	76,477,310	25,257,744	59,918,154	58.90
Claims on Financial Institutions	9,126,825	-	9,126,825	-	5,631,636	61.70
Claims on Corporates	301,133,507	200,682,582	268,897,675	45,277,417	300,531,525	95.66
Retail Claims	579,741,500	82,546,227	537,916,623	-	412,089,648	76.61
Claims Secured by Gold	70,790,234	-	70,790,234	-	1,315	0.00
Claims Secured by Residential Property	86,458,595	-	86,458,595	-	52,712,835	60.97
Claims secured by Commercial Real Estate	37,129,551	-	37,129,551	-	37,129,551	100.00
Non-Performing Assets (NPAs)	33,370,085	-	33,370,085	-	38,009,150	113.90
Higher-risk Categories	1,377,840	-	1,377,840	-	3,444,600	250.00
Cash Items and Other Assets	122,948,955	37,662,956	122,948,955	37,662,956	112,263,170	69.90
Total	2,952,916,405	519,243,120	2,521,452,369	139,986,671	1,215,989,144	45.69

Credit Risk Under Standardised Approach

Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects -Group

Asset Class	Amount (LKR '000) as at 31.12.2020					
	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	1,165,003,426	19,208,230	1,165,003,426	3,841,646	62,363,385	5.34
Claims on Foreign Sovereigns and their Central Bank	24,846,971	-	24,846,971	-	23,453,174	94.39
Claims on Public Sector Entities	456,972,842	153,885,381	92,494,093	27,946,908	108,441,001	90.04
Claim on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	76,799,637	25,257,744	76,799,637	25,257,744	60,240,481	59.03
Claims on Financial Institutions	9,126,825	-	9,126,825	-	5,631,636	61.70
Claims on Corporates	323,791,943	200,682,582	291,556,111	45,277,417	323,189,961	95.95
Retail Claims	579,741,500	82,546,227	537,916,623	-	412,089,648	76.61
Claims Secured by Gold	70,790,234	-	70,790,234	-	1,315	0.00
Claims Secured by Residential Property	86,458,595	-	86,458,595	-	52,712,835	60.97
Claims secured by Commercial Real Estate	37,129,551	-	37,129,551	-	37,129,551	100.00
Non-Performing Assets (NPAs)	33,370,085	-	33,370,085	-	38,009,150	113.90
Higher-risk Categories	162,300	-	162,300	-	405,750	250.00
Cash Items and Other Assets	136,114,678	37,662,956	136,114,678	37,662,956	126,647,072	72.88
Total	3,000,308,586	519,243,120	2,561,769,129	139,986,671	1,250,314,959	46.28

Capital Adequacy

Credit Risk under Standardised Approach : Exposures by Asset Classes and Risk Weights - Bank

Description	Amount (LKR '000) as at 31.12.2020 (Post CCF and CRM)								Total Credit Exposures Amount
Risk Weight									
Asset Classes	0%	20%	50%	60%	75%	100%	150%	>150%	
Claims on Central Government and Central Bank of Sri Lanka	848,465,885	311,151,728							1,159,617,612
Claims on Foreign Sovereigns and their Central Bank			2,787,593			22,059,377			24,846,971
Claims on public Sector Entities		15,000,000				77,494,093			92,494,093
Claims on Official Entities and Multilateral Development Banks									-
Claims on Banks Exposures		35,322,979	144,065			41,010,266			76,477,310
Claims on Financial Institutions		558,333	6,157,232			2,351,074	60,186		9,126,825
Claims on Corporates		10,865,002	7,051,342			250,400,451	580,880		268,897,675
Retail Claims				7,356,026	491,538,259	39,022,338			537,916,623
Claims Secured by Gold	70,788,919	-				1,315			70,790,234
Claims Secured by Residential Property			67,491,519			18,967,076			86,458,595
Claims secured by Commercial Real Estate						37,129,551			37,129,551
Non- Performing Assests (NPAs)						24,091,956	9,278,129		33,370,085
Higher-risk Categories								1,377,840	1,377,840
Cash Item and Other Assests	43,041,683	6,633,822				73,273,449			122,948,955
Total	962,296,487	379,531,864	83,631,751	7,356,026	491,538,259	585,800,947	9,919,195	1,377,840	2,521,452,369

Credit Risk under Standardised Approach : Exposures by Asset Classes and Risk Weights - Group

Description	Amount (LKR '000) as at 31.12.2020 (Post CCF and CRM)								Total Credit Exposures Amount
Risk Weight									
Asset Classes	0%	20%	50%	60%	75%	100%	150%	>150%	
Claims on Central Government and Central Bank of Sri Lanka	853,851,699	311,151,728							1,165,003,426
Claims on Foreign Sovereigns and their Central Bank			2,787,593			22,059,377			24,846,971
Claims on public Sector Entities		15,000,000				77,494,093			92,494,093
Claims on Official Entities and Multilateral Development Banks									-
Claims on Banks Exposures		35,322,979	144,065			41,332,593			76,799,637
Claims on Financial Institutions		558,333	6,157,232			2,351,074	60,186		9,126,825
Claims on Corporates		10,865,002	7,051,342			273,058,887	580,880		291,556,111
Retail Claims				7,356,026	491,538,259	39,022,338			537,916,623
Claims Secured by Gold	70,788,919	-				1,315			70,790,234
Claims Secured by Residential Property			67,491,519			18,967,076			86,458,595
Claims secured by Commercial Real Estate						37,129,551			37,129,551
Non- Performing Assests (NPAs)						24,091,956	9,278,129		33,370,085
Higher-risk Categories								162,300	162,300
Cash Item and Other Assests	41,823,504	6,633,822				87,657,351			136,114,678
Total	966,464,122	379,531,864	83,631,751	7,356,026	491,538,259	623,165,612	9,919,195	162,300	2,561,769,129

Capital Adequacy

Market Risk Under Standardised Measurement Method

Item	31.12.2020	
	Bank	Group
	LKR'000	LKR'000
(a) Capital Charge for Interest Rate Risk	458,027	458,027
General Interest Rate Risk	458,027	458,027
(i) Net Long or Short Position	458,027	458,027
(ii) Horizontal Disallowance	-	-
(iii) Vertical Disallowance	-	-
(iv) Options	-	-
Specific Interest Rate Risk	-	-
(b) Capital Charge for Equity	760,849	760,849
(i) General Equity Risk	398,656	398,656
(ii) Specific Equity Risk	362,193	362,193
(c) Capital Charge for Foreign Exchange and Gold	98,652	98,652
Total Capital Charge for Market Risk [(a)+(b)+(c)]	1,317,528	1,317,528
Total Risk Weighted Amount for Market Risk	10,134,831	10,134,831

Operational Risk under Basic Indicator Approach -Bank

Business Lines	Capital Charge Factor	Gross Income (LKR '000) as at 31.12.2020			
		Fixed Factor	1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		85,490,210	88,071,593	94,663,889
Capital Charges for Operational Risk (LKR '000)					13,411,285
Risk Weighted Amount for Operational Risk (LKR '000)					103,163,728

Operational Risk under Basic Indicator Approach - Group

Business Lines	Capital Charge Factor	Gross Income (LKR '000) as at 31.12.2020			
		Fixed Factor	1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		96,341,700	94,498,600	97,518,878
Capital Charges for Operational Risk (LKR '000)					14,417,959
Risk Weighted Amount for Operational Risk (LKR '000)					110,907,376

Differences between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories-Bank only

Item	Amount (LKR '000) as at 31.12.2020				
	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	2,982,981,095	3,010,463,291	3,000,488,310	15,561,616	6,217,176
Cash and Cash Equivalents	84,416,624	82,230,268	82,230,268	47,870	-
Balances With Central Bank	33,351,852	33,609,693	33,609,693	-	-
Placements with Banks	27,615,851	31,448,955	31,448,955	-	-
Securities Purchased under resale agreements	2,001,047	2,000,000	2,000,000	-	-
Derivative Financial Instruments	548,926	548,926	-	-	-
Financial assets recognised through profit or loss measured at fair value	9,856,220	8,369,905	8,362,014	15,513,746	7,890
Financial assets at amortised cost		-	-	-	-
Loans and advances	1,988,409,007	2,020,615,450	2,020,615,450	-	-
Debt and other instruments	724,390,172	710,424,047	709,561,852	-	862,195
Financial assets - measured at fair value through other comprehensive income	15,362,480	14,417,308	13,963,086	-	454,222
Investments in Subsidiaries	6,513,048	6,488,048	3,327,347	-	3,160,701
investments in Associates and Joint Ventures	92,988	117,988	117,988	-	-
Investment Properties	2,534,118	2,534,118	2,534,118	-	-
Property, plant and Equipment	33,366,003	29,755,170	29,755,170	-	-
Right of Use Asset	3,208,879	3,208,879			
Goodwill and Intangible Assets	1,020,881	977,510		-	977,510
Deferred Tax Assets	-	754,658	-	-	754,658
Other Assets	50,292,999	62,962,369	62,962,369	-	-
On Balance Sheet Liabilities	2,826,321,712	2,835,946,427	-	-	-
Due to banks	2,402,043	38,843,334	-	-	-
Securities Sold under resale agreements	57,106,652	56,923,274	-	-	-
Derivative Financial Instruments	102,182	102,182	-	-	-
Financial Liabilities at amortised cost					
- Due to Depositors	2,474,775,488	2,422,380,572	-	-	-
- Due to other Borrowers	180,884,127	140,914,930	-	-	-
Debt Securities Issued	-	-	-	-	-
Current Tax Liabilities	591,723	35,021,790	-	-	-
Deferred Tax Liabilities	923,462	-	-	-	-
Other Provisions	-	-	-	-	-
Other Liabilities	44,898,628	78,598,199	-	-	-
Subordinated Term Debts	64,637,407	63,162,147	-	-	-

Capital Adequacy

Item	Amount (LKR '000) as at 31.12.2020				
	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
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	96,983,948	121,561,180	-	-	-
Accumulated Other Comprehensive Income	1,704,356	471,514	-	-	-
Other Reserves	32,971,079	27,484,169	-	-	-
Total Shareholder's Equity	156,659,383	174,516,863	-	-	-
Total On -Balance Sheet Liabilities and Equity Capital and Reserves	2,982,981,095	3,010,463,291	-	-	-

Explanations of Differences between Accounting and Regulatory Exposure Amounts

Difference arises due to fair value adjustments, impairment under expected loss model on financial instruments and the classification adjustments between line items of the financial position under SLFRSs.

Derivative Financial Instruments

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.

Derivative financial instruments are measured at fair value using forward pricing models in Published Financial Statement and more details are given in Note 25 and Note 40 in this Report.

Loans and Advances to Customers

Allowance for Impairment

Time-based provisions under Central Bank guidelines have been netted off from the amortised cost when arriving loans and advances to the customers under regulatory reporting, however as per SLFRS 9 "impairment under expected loss model" have been netted off from amortised cost when arriving loans and advances to the customers under reporting purposes. More details are given under Note 27.

Day One Difference

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, Bank recognises fair value of such transactions as per SLFRS 9. More details are given in Note 4.5.4. However, Bank recognises cost of such transactions under regulatory reporting.

Financial assets – FVTOCI

Financial assets FVTOCI are measured at fair value under published Financial Statements and carried at cost for regulatory reporting purposes. The details of financial investments – FVTOCI and the fair valuation of these instruments are disclosed in Note 29 and Note 61 respectively. The following disclosures are included in Note 63 on Risk Management on page 301 to 318.

- (i) Summary discussions on adequacy/ meeting current and future capital requirement.
- (ii) Bank risk management approach.
- (iii) Risk management related to key risk exposure.

D-SIB Assessment Exercise		LKR (million) Group
Size Indicator		
Section 1 - Total Exposures		
Total exposures measure		3,236,279
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		30,590
(ii) Lending		9,969
b. Holdings of securities issued by other financial institutions		4,881
c. Net positive current exposure of securities financing transactions (SFTs) with other financial institutions		15
d. Over-the-counter (OTC) derivatives with other financial institutions that have a net positive mark to market value		489
Intra-financial system assets		45,943
Section 3 - Intra-Financial System Liabilities		
a. Funds deposited by or borrowed from other financial institutions (including unused portion of committed lines obtained)		
(i) Funds deposited		41,660
(ii) Borrowings		154,375
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		47
Intra-financial system liabilities		196,082
Section 4 - Securities Outstanding		
Securities outstanding		63,264
Substitutability/ Financial Institution Infrastructure Indicators		
Section 5 - Payments made in the reporting year (excluding intragroup payments)		
Payments activity		12,596,215
Section 6 - Assets Under Custody		
Assets under custody		382,439
Section 7 - Underwritten Transactions in Debt and Equity Markets		
Underwriting activity		-
Section 8 - Trading Volume		
Trading volume		313,733
Complexity indicators		
Section 9 - Notional Amount of Over-the-Counter (OTC) Derivatives		
OTC derivatives		52,833
Section 10 - Level 2 Assets		
Level 2 assets		40,864
Section 11 - Trading and available for sale (AFS) securities		
Trading and AFS securities		12,460
Section 12 - Cross-Jurisdictional Liabilities		
Foreign Liabilities (excluding derivatives and intragroup liabilities)		
Cross-jurisdictional liabilities		164,807
Section 13 - Cross-Jurisdictional Claims		
Foreign claims (excluding derivatives and intragroup liabilities)		
Cross-jurisdictional claims		16,026



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GRI Standard	Disclosure	Location/ Explanation	Page number
GRI 101: Foundation 2016 (does not include any disclosures)			
General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of the Organisation	Our Integrated Annual Report	3
	102-2 Activities, brands, products and services	Strategic Report	47-48
	102-3 Location of headquarters	Corporate Information	399
	102-4 Location of operations	BoC at a Glance	31
	102-5 Ownership and legal form	Corporate Information and Financial Report	282 and 399
	102-6 Markets served	Strategic Report	31-32, 46-48
	102-7 Scale of the organisation	2020 in Reviews	6-7
	102-8 Information on employees and other workers	Strategic Report	58
	102-9 Supply chain	Strategic Report	72
	102-10 Significant changes to the organisation and its supply chain	Our Integrated Annual Report	4
	102-11 Precautionary principle or approach	Strategic Report	64
	102-12 External initiatives	Our Integrated Annual Report	4
	102-13 Membership of associations	Strategic Report	72
	102-14 Statement from senior decision maker	Chairman's Message	10-11
	102-16 Values, principles, norms and standards of behaviour	Preserving Value	90-91
	102-18 Governance Structure	Strategic Report and Preserving Value	64 and 86
	102-40 List of stakeholder groups	Delivering Value	82
	102-41 Collective bargaining agreements	Strategic Report	62
	102-42 Identifying and selecting stakeholders	Delivering Value	82
	102-43 Approach to stakeholder engagement	Delivering Value	82
	102-44 Key topics and concerns raised	Delivering Value	82
	102-45 Entities included in the consolidated financial statements	Financial Report	140
	102-46 Defining report content and topic boundary	Our Integrated Annual Report and BoC at a Glance	3,37
	102-47 Material topics	BoC at a Glance	37
	102-48 Restatement of information	Our Integrated Annual Report	4
	102-49 Changes in reporting	Our Integrated Annual Report, BoC at a Glance	3 and 37
	102-50 Reporting period	Our Integrated Annual Report	3
	102-51 Date of most recent report	Our Integrated Annual Report	4
	102-52 Reporting cycle	Our Integrated Annual Report	4
	102-53 Contact point for questions regarding Report	Our Integrated Annual Report	4
	102-54 Claims of reporting in accordance with GRI Standards	Our Integrated Annual Report	3
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GRI Standard	Disclosure	Location/ Explanation	Page number
103 Management Approach			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	BoC at a Glance	37
	103-2 The Management Approach and its components	BoC at a Glance	37
	103-3 Evaluation of the Management Approach	Strategic Report	46-72
200 Economic Performance			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	BoC at a Glance	36
	201-2 Financial implications and other risks and opportunities due climate change	BoC at a Glance and Strategic Report	41 and 70
	201-3 Defined benefit plan obligations and other retirement plans	Strategic Report and Financial Report	60, 145, 254-265
GRI 202: Market Presence 2016	202-2: Proportion of senior management hired from local community	Strategic Report	58
GRI 203: Indirect Economic Impacts 2016	203-2: Significant indirect economic impacts	Strategic Report	65-69
GRI 204: Procurement practices 2016	204-1 Proportion of spending on local suppliers	Strategic Report	72
GRI 205: Anti-corruption	205-2 Communication and training related to anti-corruption policies and procedures	Preserving Value	91
GRI 207: Tax	207-1 Approach to Tax	Delivering Value, Financial Report	77, 146, 155-156, 168-170, 245-246
	207-2 Tax governance control and risk management	Financial Report	146, 155-156, 168-170, 245-246
	207-3 Stakeholder engagement and management of concerns related to tax	Financial Report	116, 146
	207-4 Country-by-country reporting	Financial Report	116, 168-170, 245-246, 252
300 Environmental Performance			
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	Strategic Report	69
	302-4 Reduction of energy consumption	Strategic Report	69
GRI 305 Emissions: 2016	305-1 Direct (scope 1) Greenhouse Gas (GHG) emissions	Strategic Report	71
	305-2 Energy Indirect (scope 2) Greenhouse Gas (GHG) emissions	Strategic Report	71
	305-4 GHG emission intensity	Strategic Report	71
GRI 307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	Strategic Report	64
400 Social Performance			
GRI 401: Employment 2016	401-1 New Employee hires and employee turnover	Strategic Report	59
	401-2 Benefits provided to full time employees that are not provided to temporary or part-time employees	Strategic Report	60
	401-3 Parental leave	Strategic Report	60

GRI Standard	Disclosure	Location/ Explanation	Page number
GRI 402: Labour Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Strategic Report	62
403: Occupational health and safety 2016	403-1 Occupational health and safety management system	2020 in Review, Strategic Report	8, 9, and 59
	403-2 Hazard identification, risk assessment and incident investigation	2020 in Review, Strategic Report	8, 9, and 59
	403-3 Occupational health services	2020 in Review, Strategic Report	8, 9, and 59
	403-4 Worker participation, consultation, and communication on occupational health and safety	2020 in Review, Strategic Report	8, 9, and 59
	403-5 Worker training on occupational health and safety	2020 in Review, Strategic Report	8, 9, and 59
	403-6 Promotion of worker health	2020 in Review, Strategic Report	8, 9, and 59
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	2020 in Review, Strategic Report	8, 9, and 59
	403-8 Workers covered by an occupational health and safety management system	Strategic Report	62
GRI 404: Training and education	404-1 Average hours of training per year per employee	Strategic Report	61
	404-2 Programmes for upgrading skills and transition assistance programmes	Strategic Report	61
	404-3 Percentage of employees receiving regular performance and career development reviews	Strategic Report	61
GRI 405: Diversity and equal opportunity 2016	405-2 Ratio of basic salary and remuneration of women to men	Strategic Report	60
GRI 406: Non Discrimination	406-1 incidents of discrimination and corrective actions taken	Strategic Report	60
GRI 407 Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Strategic Report	72
GRI 408: Child Labour	408-1 Operations and suppliers at significant risk for incidents of child labour	Strategic Report	72
GRI 409: Forced or Compulsory labour	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	Strategic Report	72
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	Strategic Report	64-71
GRI 417: Marketing and labelling	417-1 Requirements for product and service labelling	Strategic Report	48
	417-2 Incidents of non-compliance concerning product and service information and labelling	Strategic Report	48
	417-3 Incidents of non-compliance concerning marketing communications	Strategic Report	48
GRI 418: Customer Privacy 2016	418-1 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Strategic Report	48
GRI 419: Socio Economic Compliance	419-1 Non - Compliance with laws and regulations in the social and economic era	Strategic Report	64

Independent Assurance Report - Sustainability



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Independent Assurance Report to Bank of Ceylon on the Sustainability Reporting Criteria Presented in the Integrated Annual Report- 2020

Introduction and scope of the engagement

The management of Bank of Ceylon ("the Bank") engaged us to provide an independent assurance on the following elements of the sustainability reporting criteria presented in the annual report- 2020 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 36 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards: 'In accordance' – Core guidelines.

Basis of our work and level of assurance

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("CASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI

Guidelines") and related information in particular, the requirements to achieve GRI Standards 'In accordance' - Core guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

Management of the Bank's responsibility for the Report

The management of the Bank is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustainability reporting process in line with the GRI Sustainability Reporting Guidelines.

Ernst & Young's responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is

not prepared in accordance with the requirements of the Global Reporting Initiative, GRI Standards: 'In accordance' - Core guidelines. This report is made solely to the Bank in accordance with our engagement letter dated 10 March 2021. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Bank or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

Key assurance procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- Interviewing relevant the Bank's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Bank on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Bank's audited financial statements for the year ended 31 December 2020.

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA A A J R Perera ACA ACMA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principals: G B Goudian ACA T P M Ruberu FCMA FCCA

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- Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: 'In accordance' – Core guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

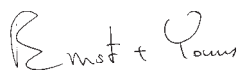
Limitations and considerations

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

Conclusion

Based on the procedures performed, as described above, we conclude that;

- The information on financial performance as specified on page 36 of the Report are properly derived from the audited financial statements of the Bank for the year ended 31 December 2020.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Bank's sustainability practices and policies some of which are derived from Sustainability Reporting Guideline, GRI Standards- 'In accordance' Core.



Ernst & Young

24 March 2021
Colombo

Statement of Profit or Loss in USD

For the year ended 31 December	Bank		Group	
	2020	2019	2020	2019
	USD '000	USD '000	USD '000	USD '000
Total income	1,325,929	1,316,474	1,355,928	1,369,193
Interest income	1,214,059	1,213,854	1,241,654	1,251,846
Less : Interest expenses	812,919	800,129	827,492	820,787
Net interest income	401,140	413,725	414,162	431,059
Fee and commission income	76,505	80,215	77,791	82,416
Less : Fee and commission expenses	12,350	13,615	12,468	13,831
Net fee and commission income	64,155	66,600	65,323	68,585
Net gains/ (losses) from trading	14,096	13,958	14,181	14,068
Net fair value gains/ (losses) from financial instruments at fair value through profit or loss	4,980	1,772	5,319	1,887
Net gains/ (losses) from derecognition of financial assets	2,589	1,554	2,645	1,612
Net other operating income	13,700	5,121	14,338	17,364
Total operating income	500,660	502,730	515,968	534,575
Less : Impairment charge/ (reversal) for loans and other losses	167,547	102,391	171,838	103,060
Net operating income	333,113	400,339	344,130	431,515
Less : Operating expenses				
Personnel expenses	97,584	101,110	107,563	111,285
Depreciation and amortisation expenses	22,824	20,393	23,557	20,784
Other expenses	57,077	57,480	64,804	71,085
Total operating expenses	177,485	178,983	195,924	203,154
Operating profit/ (loss) before Taxes on financial services	155,628	221,356	148,206	228,361
Less : Taxes on financial services	29,282	57,922	29,307	59,739
Operating profit/ (loss) after Taxes on financial services	126,346	163,434	118,899	168,622
Share of profits/ (losses) of associate companies, net of tax	-	-	442	265
Profit/ (loss) before income tax	126,346	163,434	119,341	168,887
Less : Income tax expense	31,044	36,266	31,859	38,144
Profit/ (loss) for the year	95,302	127,168	87,482	130,743
Profit attributable to :				
Equity holder of the Bank	95,302	127,168	90,353	129,117
Non-controlling interest	-	-	(2,871)	1,626
Profit/ (Loss) for the year	95,302	127,168	87,482	130,743
Earnings per share and Dividend per share				
Basic earnings per share (USD)	3.81	5.35	3.61	5.43
Diluted earnings per share (USD)	3.81	5.09	3.61	5.16
Dividend per share (USD)	0.34	0.08	0.34	0.08

Exchange rate of 1 USD was LKR 186.4082 as at 31 December 2020. (LKR 181.6340 as at 31 December 2019)

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

	Bank		Group	
For the year ended 31 December	2020	2019	2020	2019
	USD '000	USD '000	USD '000	USD '000
Profit/ (Loss) for the year	95,302	127,168	87,482	130,743
Items that will be reclassified to the profit or loss				
Exchange differences on translation of foreign operations	62	(784)	1,251	(304)
Net gains/ (losses) on investments in debt instruments measured at fair value through other comprehensive income (FVTOCI)	615	424	736	438
Net (gains)/ losses on investment in financial assets at FVTOCI reclassification to profit or loss	(19)	1,272	(19)	1,272
Deferred tax effect on above	(107)	(442)	(107)	(442)
Share of other comprehensive income of Associate companies, net of tax	-	-	(104)	(39)
Total items that will be reclassified to the profit or loss	551	470	1,757	925
Items that will not be reclassified to profit or loss				
Change in fair value on investments in equity instruments designated at fair value through other comprehensive income	(1,458)	303	(4)	80
Deferred tax effect on above	(492)	(795)	(492)	(795)
Gains/ (Losses) of derecognition of investments in equity instruments designated at fair value through other comprehensive income	-	84	-	84
Changes in revaluation surplus/ (deficit)	37,193	-	41,705	4,354
Deferred tax effect on above	(10,414)	-	(11,677)	(1,219)
Net actuarial gains/ (losses) on defined benefit plans	(51,127)	(69,736)	(51,408)	(69,944)
Deferred tax effect on above	16,133	91	16,202	187
Total items that will not be reclassified to the profit or loss	(10,165)	(70,053)	(5,674)	(67,253)
Other comprehensive income for the year, net of tax	(9,614)	(69,583)	(3,917)	(66,328)
Total comprehensive income for the year	85,689	57,585	83,565	64,415
Attributable to:				
Equity holder of the Bank	85,689	57,585	86,235	62,667
Non-controlling interest	-	-	(2,670)	1,748
Total comprehensive income for the year	85,689	57,585	83,565	64,415

Exchange rate of 1 USD was LKR 186.4082 as at 31 December 2020. (LKR 181.6340 as at 31 December 2019)

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Statement of Financial Position in USD

As at 31 December	Bank		Group	
	2020	2019	2020	2019
	USD '000	USD '000	USD '000	USD '000
Assets				
Cash and cash equivalents	452,859	357,141	446,324	356,925
Balances with Central Banks	178,918	300,574	178,918	300,574
Placements with banks	148,147	244,868	149,746	263,781
Securities purchased under resale agreements	10,735	11,999	20,505	21,923
Derivative financial instruments	2,945	727	2,945	727
Financial assets recognised through profit or loss - measured at fair value	52,874	55,361	58,310	60,852
Financial assets at amortised cost				
Loans and advances	10,666,961	8,532,570	10,827,816	8,704,037
Debt and other instruments	3,886,042	3,153,307	3,892,423	3,160,076
Financial assets measured at fair value through OCI	82,413	78,378	96,100	93,686
Investment in subsidiary companies	34,940	35,858	-	-
Investment in associate companies	499	512	2,736	2,461
Investment properties	13,594	14,583	614	646
Property, Plant and Equipment	178,994	140,828	254,381	217,395
Right of Use Assets/ Leasehold properties	17,214	19,159	14,182	12,044
Intangible assets	5,477	6,205	6,591	7,498
Deferred tax assets	-	-	412	2,819
Other assets	269,801	344,541	274,610	351,950
Total assets	16,002,413	13,296,611	16,226,613	13,557,394
Liabilities				
Due to banks	12,886	14,697	14,100	16,148
Securities sold under repurchase agreements	306,353	188,198	309,524	192,037
Derivative financial instruments	548	587	548	587
Financial liabilities at amortised cost				
Due to depositors	13,276,108	11,039,848	13,374,467	11,149,917
Other borrowings	970,366	758,853	992,993	798,833
Debt securities issued	-	-	11,306	11,605
Current tax liabilities	3,174	-	4,159	763
Deferred tax liabilities	4,954	25,282	17,734	39,546
Insurance provision - Life	-	-	2,676	2,814
Insurance provision - Non life	-	-	2,622	1,974
Other liabilities	240,862	187,276	243,405	191,363
Subordinated liabilities	346,752	298,521	346,698	298,466
Total liabilities	15,162,003	12,513,262	15,320,232	12,704,053
Equity				
Share capital	134,114	137,639	134,114	137,639
Permanent reserve fund	73,704	73,681	73,704	73,681
Retained earnings	520,277	482,782	522,849	490,771
Other reserves	112,315	89,247	168,913	141,422
Total equity attributable to equity holder of the Bank	840,410	783,349	899,580	843,513
Non-controlling interest	-	-	6,801	9,828
Total equity	840,410	783,349	906,381	853,341
Total liabilities and equity	16,002,413	13,296,611	16,226,613	13,557,394
Contingent liabilities and commitments	3,113,859	2,798,033	3,218,249	2,844,363
Net assets value per share (USD)	33.62	31.33	35.98	33.74

Exchange rate of 1 USD was LKR 186.4082 as at 31 December 2020. (LKR 181.6340 as at 31 December 2019)

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

	2020				2019			
	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	17,825	13,664	20,846	22,441	18,407	20,049	19,066	17,625
Non interest income	5,768	3,573	5,177	6,336	2,266	4,137	6,685	5,551
Non interest expense	(8,128)	(8,159)	(9,386)	(9,714)	(8,444)	(9,238)	(9,046)	(8,254)
Impairment (charge)/ reversal for loans and other losses	(7,162)	(8,430)	(5,057)	(10,583)	(3,589)	(6,808)	(4,217)	(3,984)
Operating profit before Taxes on Financial Services	8,303	648	11,580	8,480	8,640	8,140	12,488	10,938
Taxes on financial services	(1,456)	(550)	(1,930)	(1,523)	(2,205)	(2,774)	(2,930)	(2,612)
Profit before income tax	6,847	98	9,650	6,957	6,435	5,366	9,558	8,326
Income tax expense	(1,418)	255	(3,757)	(867)	(2,219)	(2,633)	(2,855)	1,120
Profit after income tax	5,429	353	5,893	6,090	4,216	2,733	6,703	9,446
Other comprehensive income	(993)	548	324	(1,671)	(442)	(69)	370	(12,498)
Total comprehensive income	4,436	901	6,217	4,419	3,774	2,664	7,073	(3,052)
Group								
Net interest income	18,539	14,062	21,289	23,313	19,106	20,707	19,911	18,571
Non interest income	6,167	2,997	5,639	6,500	2,891	4,374	7,890	6,159
Non interest expense	(9,431)	(8,496)	(10,561)	(10,358)	(9,627)	(9,585)	(10,811)	(9,389)
Impairment (charge)/ reversal for loans and other losses	(7,349)	(8,555)	(4,968)	(11,161)	(3,682)	(6,850)	(4,283)	(3,904)
Operating profit before Taxes on Financial Services	7,926	8	11,399	8,294	8,688	8,646	12,707	11,437
Taxes on financial services	(1,471)	(545)	(1,941)	(1,507)	(2,217)	(2,849)	(3,042)	(2,743)
Operating profit after Taxes on Financial Services	6,455	(537)	9,458	6,787	6,471	5,797	9,665	8,694
Share of profit/ (losses) of associate companies, net of tax	13	10	2	57	0.2	20	7	22
Profit before income tax	6,468	(527)	9,460	6,844	6,471	5,817	9,672	8,716
Income tax expense	(1,507)	230	(3,769)	(892)	(2,292)	(2,717)	(2,925)	1,006
Profit after income tax	4,961	(297)	5,691	5,952	4,179	3,100	6,747	9,722
Other comprehensive income	(1,374)	834	494	(684)	(449)	(61)	221	(11,759)
Total comprehensive income	3,587	537	6,185	5,268	3,730	3,039	6,968	(2,037)

Quarterly Performance

Summary of the Statement of Financial Position

	2020				2019			
	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	638,125	670,038	663,170	785,832	601,829	606,219	603,006	650,301
Loans and advances to customers	1,653,326	1,758,794	1,945,362	1,988,409	1,396,787	1,409,513	1,445,357	1,549,805
Property, Plant and Equipment	29,813	29,508	29,552	37,596	25,373	26,297	28,301	30,186
Other assets	238,067	222,392	179,574	171,144	183,030	191,317	226,871	184,825
Total assets	2,559,331	2,680,732	2,817,658	2,982,981	2,207,019	2,233,346	2,303,535	2,415,117
Liabilities and Equity								
Due to customers	2,110,483	2,203,441	2,304,205	2,474,775	1,770,802	1,819,931	1,879,709	2,005,212
Debt securities and borrowed funds	254,411	287,157	305,629	302,628	281,450	255,557	258,457	226,238
Other liabilities	47,891	42,687	54,583	48,919	29,725	30,152	30,763	41,384
Equity	146,546	147,447	153,241	156,659	125,042	127,706	134,606	142,283
Total liabilities and equity	2,559,331	2,680,732	2,817,658	2,982,981	2,207,019	2,233,346	2,303,535	2,415,117
Group								
Assets								
Investments	640,892	669,960	666,610	786,609	603,159	611,297	606,267	654,387
Loans and advances to customers	1,682,579	1,788,177	1,976,102	2,018,394	1,429,923	1,442,312	1,477,009	1,580,949
Property, Plant and Equipment	42,710	42,367	42,442	51,291	39,019	39,845	40,735	43,036
Other assets	237,132	221,158	178,023	168,480	182,453	190,687	226,327	184,112
Total assets	2,603,313	2,721,662	2,863,177	3,024,774	2,254,554	2,284,141	2,350,338	2,462,484
Liabilities and Equity								
Due to customers	2,130,205	2,222,854	2,323,721	2,493,110	1,791,528	1,839,691	1,899,422	2,025,204
Debt securities and borrowed funds	262,069	292,482	315,338	309,535	291,446	268,291	269,761	236,295
Other liabilities	52,547	47,312	59,342	53,172	35,883	36,639	34,841	45,989
Equity	156,878	157,489	163,321	167,689	135,023	137,854	144,612	153,211
Non controlling interest	1,614	1,525	1,455	1,268	674	1,666	1,702	1,785
Total liabilities and equity	2,603,313	2,721,662	2,863,177	3,024,774	2,254,554	2,284,141	2,350,338	2,462,484

Summary of the Statement of Financial Position

	2020				2019			
	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								
Profitability								
Interest margin (%)	2.9	2.5	2.7	2.8	3.3	3.4	3.4	3.2
Return on average assets (before tax) (%)	1.1	0.6	0.9	0.9	1.2	1.1	1.3	1.3
Return on average equity (after tax) (%)	15.0	8.0	10.5	11.9	13.7	11.2	14.2	16.8
Investor Information								
Interest cover (times)	2.8	1.9	2.4	2.5	2.3	2.2	2.5	2.6
Net assets value per share (LKR)	5,862	5,898	6,130	6,266	5,002	5,108	5,384	5,691
Capital Adequacy Ratio								
Common equity capital adequacy ratio, (%) (Tier I)	11.1	10.6	10.0	10.1	10.2	10.7	10.3	11.2
Core capital adequacy ratio, (%) (Tier I)	11.1	10.6	10.4	11.2	10.2	10.7	10.3	11.2
Total capital adequacy ratio, (%) (Tier I + II)	15.4	14.7	14.0	14.9	14.2	15.5	15.3	15.6
Assets Quality								
Gross non - performing advances ratio (%)	5.2	5.4	5.0	4.8	4.7	5.3	5.4	4.8
(Net of interest in suspense)								
Net non - performing advances ratio (%)	2.1	2.1	1.7	1.4	1.9	2.4	2.3	1.8
(Net of interest in suspense and provisions)								
Regulatory Liquidity								
Statutory liquid assets ratio								
- Domestic banking unit (%)	27.7	31.3	29.0	26.6	25.1	26.6	24.1	24.6
- Off shore banking unit (%)	22.4	21.4	27.6	29.5	57.8	47.9	54.9	58.3
Group								
Profitability								
Interest margin (%)	2.9	2.5	2.7	2.8	3.4	3.5	3.4	3.3
Return on average assets (before tax) (%)	1.0	0.5	0.8	0.8	1.1	1.1	1.3	1.3
Return on average equity (after tax) (%)	12.9	6.1	8.7	10.1	12.5	10.7	13.4	16.0
Investor Information								
Net assets value per share (LKR)	6,275	6,300	6,533	6,708	5,401	5,514	5,784	6,128
Capital Adequacy Ratio								
Common equity capital adequacy ratio, (%) (Tier I)	11.3	10.9	10.3	10.2	10.3	10.7	10.1	11.4
Core capital adequacy ratio, (%) (Tier I)	11.3	10.9	10.7	11.3	10.3	10.7	10.1	11.4
Total capital adequacy ratio, (%) (Tier I + II)	15.5	15.0	14.2	14.9	14.2	15.3	14.8	15.7

Share and Debenture Information

Share Information

As at 31 December		2020	2019	
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	8	Annually	13.25%
	8	Semi annually	6 months TB rate (gross) plus 100 basis points
	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	5	Annually	13.25%
	5	Semi annually	6 months TB (gross) rate plus 125 basis points
	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 2020 and 2019 are as follows.

	2020					2019				
	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, 10 years, fixed rate (13.75%)	N/T	N/T	N/T	N/T	N/T	102.22	102.22	102.22	13.00	13.04
BoC Debentures 2013/2023 Unsecured, subordinated, redeemable, 8 years, fixed rate (13.25%)	100.00	100.00	100.00	13.24	13.25	N/T	N/T	N/T	N/T	N/T
BoC Debentures 2014/2022, Unsecured, subordinated, redeemable, 5 years, fixed rate (8.0%)	N/T	N/T	N/T	N/T	N/T	97.31	97.30	97.30	12.50	12.67
BoC Debentures 2014/2022, Unsecured, subordinated, redeemable, 8 years, fixed rate (8.25%)	N/T	N/T	N/T	N/T	N/T	80.00	80.00	80.00	16.56	16.06
BoC Debentures 2015/2023, 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	98.50	97.00	97.00	13.08	13.24
BoC Debentures 2016/2024, Unsecured, subordinated, redeemable, 5 years, fixed rate (13.25%)	101.00	101.00	101.00	12.60	12.67	100.46	98.20	100.34	13.02	13.10
BoC Debentures 2016/2024, Unsecured, subordinated, redeemable, 5 years, floating rate 06 months TB rate (Gross) plus 125 basis points	98.00	98.00	98.00	11.99	11.92	N/T	N/T	N/T	N/T	N/T

* As the date of last trade done.

N/T - Not Traded

Ten Year Statistical Summary – Bank

For the year ended 31 December	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million
Operating results										
Income	70,457	110,138	127,464	126,546	131,502	154,121	189,211	221,021	239,116	247,164
Interest income	61,222	95,022	114,863	107,395	112,745	134,685	171,344	195,394	220,477	226,311
Interest expenses	(36,216)	(59,701)	(77,720)	(68,945)	(66,419)	(80,728)	(112,988)	(129,836)	(145,331)	(151,535)
Net interest income	25,006	35,321	37,143	38,450	46,326	53,957	58,356	65,558	75,146	74,776
Other operating income	9,235	15,116	12,601	19,151	18,756	19,437	17,868	25,627	18,640	20,853
Other operating expenses	(15,241)	(27,428)	(31,324)	(33,258)	(34,987)	(35,940)	(38,632)	(48,181)	(53,580)	(66,619)
Operating profit before VAT and NBT	19,000	23,009	18,420	24,343	30,095	37,454	37,592	43,004	40,206	29,010
VAT and NBT on financial services	(2,516)	(3,214)	(2,711)	(4,052)	(4,816)	(6,265)	(7,249)	(9,588)	(10,521)	(5,458)
Profit before income tax	16,484	19,795	15,709	20,291	25,279	31,189	30,343	33,416	29,685	23,552
Income tax expense	(4,567)	(5,378)	(3,622)	(6,717)	(7,922)	(6,398)	(9,031)	(12,413)	(6,587)	(5,787)
Profit for the year	11,917	14,417	12,087	13,574	17,357	24,791	21,312	21,003	23,098	17,765
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	18,671	31,545	24,901	35,583	79,917	67,706	72,843	78,447	64,869	84,417
Balances with Central Banks	30,223	29,963	28,699	30,422	38,940	56,388	68,689	65,680	54,594	33,352
Placements with banks	14,581	19,394	19,315	13,349	27,976	11,675	8,067	40,450	44,476	27,616
Loans and advances to customers	543,149	691,899	725,332	741,348	826,790	1,000,082	1,163,161	1,429,107	1,549,805	1,988,409
Other financial assets	195,444	239,089	335,455	438,554	522,762	461,193	567,778	579,023	599,352	752,159
Investments in subsidiaries and associates	7,084	7,636	7,672	7,056	7,056	6,306	6,606	6,606	6,606	6,606
Investment properties	-	-	-	-	-	3,000	2,883	2,766	2,649	2,534
Property, Plant and Equipment	10,595	11,516	12,089	16,296	16,431	15,584	23,148	24,277	29,059	36,575
Intangible assets	343	376	501	385	373	563	811	1,238	1,127	1,021
Other assets	18,183	16,803	39,617	46,027	48,044	46,794	37,818	57,237	62,580	50,292
Total assets	838,273	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
Liabilities										
Due to banks	6,508	10,128	1,166	890	2,630	2,042	2,203	2,402	2,669	2,402
Due to customers	595,774	693,441	842,070	933,966	1,082,337	1,256,589	1,546,832	1,770,975	2,005,212	2,474,775
Debt securities issued and subordinated term debts	42,591	47,114	45,326	53,282	39,055	42,072	42,570	50,827	54,222	64,637
Other borrowings	138,389	233,795	235,370	246,736	337,442	254,895	222,679	299,192	172,017	237,991
Current tax liabilities	1,139	2,208	-	-	2,081	-	1,877	3,922	-	592
Other liabilities	12,518	10,582	11,949	19,340	23,259	20,843	24,488	25,343	38,714	45,925
Total liabilities	796,919	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
Equity										
Share capital	5,000	5,000	5,000	10,000	10,000	15,000	20,000	25,000	25,000	25,000
Permanent reserve fund	3,008	3,286	3,538	3,810	5,210	7,996	10,427	12,890	13,383	13,739
Retained earnings	21,733	27,639	31,419	44,861	51,086	54,155	63,472	78,062	87,689	96,984
Other reserves	11,613	15,028	17,743	16,135	15,189	15,699	17,256	16,218	16,211	20,936
Total equity	41,354	50,953	57,700	74,806	81,485	92,850	111,155	132,170	142,283	156,659
Total liabilities and equity	838,273	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
Contingent liabilities and commitments										
	409,747	455,181	655,441	721,763	696,857	547,399	496,477	508,307	508,218	580,449

As at 31 December	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	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	2.1	1.4	1.6	1.7	1.9	1.7	1.6	1.3	0.9
Return on average equity (%)	33.5	31.2	22.2	20.5	22.2	28.4	20.9	17.3	16.8	11.9
Income growth (%)	11.2	56.3	15.7	(0.7)	3.9	17.2	22.8	16.8	8.2	3.4
Capital adequacy ratio (%) *										
- Tier I	7.8	8.3	8.4	9.5	9.1	8.7	10.8	10.3	11.2	11.2
- Tier I + Tier II	10.9	11.5	12.1	13.6	13.1	12.3	14.6	14.6	15.6	14.9
Capital funds to liabilities including contingent liabilities (%)	3.4	3.5	3.2	3.8	3.7	4.4	4.8	5.0	5.1	4.6
Liquidity ratio - domestic (%)	23.4	21.8	27.7	30.8	28.2	21.6	27.2	24.5	24.6	26.6
Cost to income ratio (%)	51.1	42.7	49.1	44.0	44.7	43.0	38.4	38.1	37.3	37.0
Other information										
Number of employees	8,115	7,790	8,883	8,577	7,980	7,569	7,587	8,724	8,503	8,479
Number of branches	318	324	567	573	578	580	578	577	581	582
Number of ATMs	404	451	523	540	549	678	764	776	772	773
Number of advances ('000)	2,837	3,363	3,193	2,384	2,146	2,122	2,226	2,606	2,715	2,598
Number of deposits ('000)	10,179	10,955	11,606	12,311	12,322	12,706	13,254	13,421	14,480	15,027
Cash flow from operating activities	(42,348)	(19,271)	47,051	72,987	127,503	(21,346)	135,039	(25,790)	36,213	95,370
Cash flow from investing activities	6,924	(52,965)	(51,351)	(27,222)	(101,988)	83,642	(56,384)	11,667	25,620	(102,961)
Cash flow from financing activities	12,476	89,640	(4,377)	(29,519)	17,982	(73,927)	(73,822)	19,983	(75,901)	28,045
Capital expenditure on purchase of PPE and Lease hold properties	(1,905)	(1,483)	(1,682)	(1,743)	(1,332)	(2,053)	(3,081)	(3,400)	(3,386)	(2,946)

Note:

2017, 2018, 2019 and 2020 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 59 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 during the year 2020 are given in Note 59.4 to the Financial Statements.

Subsidiaries and Associates

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 Kumara <i>Non-Executive Director</i> Representation from Directors 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 Gunawardena <i>Non-Executive Director</i> Alternate Mr S Sivanjan <i>(To Mr W P Russel Fonseka)</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 Anura Perera <i>Non-Executive Director</i> Dr N Sampath Punchihewa <i>Non-Executive Director</i> Representation from Directors Management of BoC Mr W P Russel Fonseka <i>Non-Executive Director</i> Mr W N P Surawimala <i>Non-Executive Director</i> Mr D N L Fernando <i>Non-Executive Director</i> Alternate Mr M P Ruwan Kumara <i>(To Mr W P Russel Fonseka)</i>

Subsidiary Companies	Directors
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 D P K Gunasekara <i>Non-Executive Director</i> Mr W N P Surawimala <i>Non-Executive Director</i> Mr S T K Hewage <i>Non-Executive Director</i>
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 Directors Management of BoC Mr D P K Gunasekara <i>Non-Executive Director</i> Mr M P Ruwan Kumara <i>Non-Executive Director</i> Mr G A Jayashantha <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 Directors Management of BoC Mr D P K Gunasekara <i>Non-Executive Director</i> Mr E M Jayarathne <i>Non-Executive Director</i> Mr S T K Hewage <i>Non-Executive Director</i>

Subsidiary Companies	Directors
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> Mr J C Ratwatte <i>Non-Executive Director</i> <i>Minority representative</i> Representation from Directors Management of BoC Mr D P K Gunasekara <i>Non-Executive Director</i> Mr K E D Sumanasiri <i>Non-Executive Director</i> Mr Y A 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 D P K Gunasekara <i>Non-Executive Director/ Chairman</i> Mr K E D Sumanasiri <i>Non-Executive Director</i> Mr B K Gurusinghe <i>Non-Executive Director</i> Mr G K G M Bandara <i>Non-Executive Director</i>

Subsidiary Companies	Directors
MBSL Insurance Company Limited No. 122, Kew Road, Colombo 02. Tel : 011 2304500 Fax : 011 2300499 e-mail : info@mbslinsurance.lk Website : www.mbslinsurance.lk	Mr W L A Fernando <i>Executive Managing Director</i> Mr P I Kandanaarachchi <i>Non-Executive Director</i> Mr G M J A R Gamalath <i>Non-Executive Director</i> Ms K D Jayatilake <i>Non-Executive Director</i> Mr W S R Fernando <i>Non-Executive Director</i> Representation from Directors Management of BoC Mr D N L Fernando <i>Non-Executive Director</i>
Koladeniya Hydropower (Private) Limited 19th Floor, BoC Head Office Building, "BOC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01. Tel : 011 2544328 Fax : 011 2544329 e-mail : pdlceo@sltnet.lk	Mr Kanchana Ratwatte <i>Non-Executive Director/ Chairman</i> Representation from Directors Management of BoC Mr K E D Sumanasiri <i>Non-Executive Director</i> Mr Y A Jayathilake <i>Non-Executive Director</i>
Bank of Ceylon (UK) Limited No: 1, Devonshire Square, London EC2M 4WD, United Kingdom. Tel : +44 207 3771 888 Fax : +44 207 3775 430 e-mail : info@bankofceylon.co.uk Website : www.bankofceylon.co.uk	Mr Kanchana Ratwatte <i>Non-Executive Director/ Chairman</i> Mr D P K Gunasekara <i>Non-Executive Director</i> Mr W D R Swanney <i>Non-Executive Director</i> Mr R England <i>Non-Executive Director</i> Mr M D C Nilantha <i>Chief Executive Officer/ Executive Director</i>

Subsidiaries and Associates

Associate Companies	Directors
Lanka Securities (Private) Limited No. 228/1, Galle Road, Colombo 04. Tel : 011 4706757 Fax : 011 4706767 e-mail : lankasec@sltnet.lk Website : www.lankasecurities.com	Ms Aamna Taseer <i>Non-Executive Director/ Chairman</i> Mr Mian Ehsan Ul-Haq <i>Non-Executive Director</i> Mr Shehryar Ali Taseer <i>Non-Executive Director</i> Mr K U D Gamage <i>Executive Director</i> Representative from MBSL Mr G M J A R Gamalath <i>Non-Executive Director</i> Representation from BoC Mr R M N Jeewantha <i>Non-Executive Director</i> Alternate Mr Imran Hafeez <i>(To Ms Aamna Taseer)</i> Mr Shehryar Ali Taseer <i>(To Mr Mian Ehsan Ul-Haq)</i> Ms Sherbano Taseer <i>(Mr Shehryar Ali Taseer)</i>
Transnational Lanka Records Solutions (Private) Limited No. 55/60, Vauxhall Lane, Colombo 02. Tel : 011 7574574 Fax : 011 4514588 e-mail : suneth@transnational-grp.com Website : www.transnational-grp.com	Mr Daron Kuan Wye Liew <i>Non-Executive Director</i> Ms Daphne M H Liew <i>Non-Executive Director</i> Mr Jonathan Liew Chin Yew <i>Non-Executive Director</i> Mrs P C Dodanwela <i>Non-Executive Director</i> Representation from BoC Mr W P Russel Fonseka <i>Non-Executive Director</i> Mr W W P Suranimala <i>Non-Executive Director</i> Alternate Mr K E D Sumanairi <i>(To Mr W P Russel Fonseka)</i>

Associate Companies	Directors
Ceybank Asset Management Limited No. 85, York Street, Colombo 01. Tel : 011 7602002 Fax : 011 2327203 e-mail : info@ceybank.com Website : www.ceybank.com	Mr M P Ruwan Kumara <i>Non-Executive Director/ Actg. Chairman</i> Ms V Govindan <i>Non- Executive Director</i> Mr I C C Ferdinands <i>Acting CEO</i> Mr S M Paranavitana <i>Non-Executive Director</i> Mr A D Perera <i>Non-Executive Director</i> Representation from BoC Mr G A Jayashantha <i>Non-Executive Director</i> Mr R M N Jeewantha <i>Non-Executive Director</i>

Correspondent Banks By Country

Argentina

1. Banco Credicoop Cooperativo Ltd
2. Banco De Galicia Y Buenas Aires SA
(Former Banco Finansur SA)

Armenia

3. Ardshin Bank(Former
Ardshininvestment Bank JSC)

Australia

4. Australia and New Zealand Banking
Group Ltd
5. HSBC Bank Australia Ltd
6. National Australia Bank Limited

Austria

7. Allgemeine Sparkasse Oberosterreich
8. BKS Bank AG
9. Erste Bank DER Oesterreichischen
Sparkassen AG
10. ERSTE Group Bank AG
11. Oberbank AG
12. Raiffeisen Bank International AG
13. Raiffeisenlandesbank Oberosterreich
Aktiengesellschaft
14. Salzburger Landes - Hypothekenbank
AG
15. UNI Credit Bank Austria (Former Bank
Austria Creditanstalt AG)
16. Volksbank Wien-Baden AG
(Osterreichische Volksbanken AG- Name
changed as above)
17. Vorarlberger Landes- und
Hypothekenbank Aktiengesellschaft

Bahrain

18. Ahli United BANK
19. Albaraka Islamic BANK BSC
20. Bahrain Islamic BANK BSC
21. ARAB Banking Corporation BSC
22. BBK (Formerly Bank of Bahrain and
Kuwait BSC)
23. National Bank of Bahrain
24. The Arab Investment Company SAA

Bangladesh

25. Agrani Bank
26. Bangladesh Krishi Bank
27. BASIC Bank Limited (Banladesh Small
Industries and Commerce Bank Ltd)
28. Dutch-Bangla Bank Ltd
29. Janata Bank
30. Prime Bank Ltd
31. Sonali Bank

32. The Premier Bank Limited
33. Uttara Bank

Belarus

34. Belarus Bank (Formerly Minskcomplex
Bank)
35. Belvnesheconombank

Belgium

36. Banca Monte Paschi, Belgio
37. Byblos Bank Europe S A
38. Deutsche Bank SA/NV
39. BNP Paribas Fortis SA/NA (Former
Fortis Bank NV/ SA)
40. ING Belgium SA/NV (Formerly Bank
Brussels Lambert)
41. KBC Bank NV
42. KBC Bank NV (Former Antwerpse
Diamant Bank NV)

Botswana

43. Barclays Bank of Botswana Ltd

Brazil

44. Banco ABC Brasil SA
45. Banco Do Brazil
46. Banco Fibra SA
47. China Construction Bank Brazil(Former
Banco Industrial e Commercial SA
(Bicbanco)

Bulgaria

48. Central Cooperative Bank
49. Investbank PLC
50. Municipal Bank PLC
51. Raiffeisenbank (Bulgaria) EAD
52. Texim Bank
53. Unicredit Bulbank AD (Formerly Bulbank
AD)
54. United Bulgarian Bank AD

Cambodia

55. ACLEDA Bank PLC

Canada

56. Bank of Montreal
57. Bank of Nova Scotia
58. Canadian Imperial Bank of Commerce
59. HSBC Bank Canada (Formerly Credit
Lyonnais Canada)
60. Royal Bank of Canada
61. Toronto Dominion Bank

Chile

62. Corpbanca

China

63. Bank of Changsha
64. Bank of China Limited
65. Bank of Communications Co. Ltd.
66. Bank of Hangzhou Co Ltd
67. Bank of Jiangsu Co. Ltd.
68. Bank of Jiujiang Co. Ltd
69. Bank of Nanjing
70. Bank of Shaoxing Co. Ltd
71. Bank of Xian Co. Ltd.
72. Changshu Rural Commercial Bank
73. China Construction Bank
74. China Development Bank Corporation
75. China Everbright Bank
76. Evergrowing Bank
77. Export Import Bank of China
78. Zhejiang Nanxun Rural Cooperative
Bank
79. Zhejiang Xiaoshan Rural Cooperative
Bank

Colombia

80. Banco Popular

Croatia

81. Zagrebacka Banka DD

Cyprus

82. Alpha Bank Cyprus Limited
83. Bank of Cyprus Public Company Ltd
(Cyprus Popular Bank Public Co.Ltd
merged with the above on 06.06.2014).
84. Hellenic Bank Public Company Limited
85. National Bank Of Greece (Cyprus) Ltd

Czech Republic

86. Ceska Sporitelna AS
87. Ceskoslovenska Obchodni Banka AS
88. Komerční Banka A S
89. Moneta Money Bank A.S. (Name
Changed w.e.f. 06.05.2016) (Former
Name - GE Money Bank AS)
90. Raiffeisen Bank
91. Unicredit Bank Czech Republic AS

Denmark

92. Danske Bank A/S
93. Nordea Bank Denmark AS
94. Rinkjobing Landbobank
95. Skjern Bank

Correspondent Banks By Country

96. Sydbank A/S
97. Vestjysk Bank

Ecuador

98. Banca International Produbanco

Egypt

99. Arab International Bank
100. Bank of Alexandria (Alexbank)
101. Central Bank of Egypt
102. Egyptian Saudi Finance Bank (Name changed into Al Baraka Bank Egypt w.e.f. 01.04.2010)
103. Faisal Islamic Bank of Egypt Sae
104. National Bank of Egypt
105. Suez Canal Bank SAE

Estonia

106. SEB Pank

Ethiopia

107. Commercial Bank of Ethiopia

Fiji

108. Bank of South Pacific Ltd (Former National Bank of Fiji)

Finland

109. Aktia Bank PLC
110. Danske Bank A/S (Former Sampo Bank PLC)
111. Nordea Bank Finland PLC
112. OP Corporate Bank PLC (Name Changed w.e.f. 04.04.2016) (Former Name - Pohjola Bank PLC)

France

113. AL Khaliiji France S A
114. Bank of India (Paris Branch)
115. Banque BIA
116. Banque Wormser Fereres (Former Banque D'Escompte)
117. Banque Federative Du Credit Mutuel
118. Banque Palatine
119. BNP paribas
120. CIC credit industriel ET commercial(Former CIC Lyonnaise De Banque)
121. Credit Du Nord
122. Credit Industriel Del' Quest
123. Credit Lyonnais
124. HSBC France
125. Natixis (Formerly Natexis Banque Populaires)
126. Societe Generale

127. Union De Banques Arabes ET Francaises (UBAF)
128. VTB Bank (France) S A (Formerly Banque Commerciale Pour L'Europe Du Nordeurobank)

Georgia

129. JSC Bank of Georgia (Former Bank of Georgia)

Germany

130. BNorddeutsche Landesbank Girozentrale (Former BHF Bank Aktiengesellschaft)
131. Bremer Landesbank
132. Commerzbank AG - (Dusseldorf)
133. Commerzbank AG - (Frankfurt)
134. Degussa Bank
135. Deutsche Bank AG
136. DB Privat- und Firmenkundenbank AG (Deutsche Bank 24 AG) (Former Deutsche Bundesbank)
137. DZ Bank AG Deutsche Zentral Genossenschaftsbank (New Name w.e.f. 01.08.2016) (Former Name - DZ Bank AG)
138. Frankfurter Volksbank EG
139. Hamburger Sparkasse AG
140. HSBC Trinkaus and Burkhardt KGA
141. Joh. Berenberg Gossler & Co. KG (Former Berenberg Bank)
142. Kreissparkasse Esslingen- Nürtingen
143. Kreissparkasse Goppingen
144. Kreissparkasse Heilbronn
145. Landesbank Baden- Württemberg
146. Landesbank Berlin AG (Merger of Bankgesel-Ischaft BerlinAG and Landesbank Berlin AG)
147. Landesbank Hessen Thüringen Girozentrale
148. Landesbank Baden-Württemberg (Former LRP Landesbank Rheinland PFALZ)
149. M.M. Warburg & CO (AG and Co) KGaA (Former Bankhaus Carl Plump & Co.)
150. Nordeutsche Landesbank Girozentrale
151. Oldenburgische Landesbank AG
152. Sparkasse Bielefeld
153. Sparkasse Dortmund
154. Sparkasse Herford

155. Sparkasse Pforzheim Calw
156. Stadtparkasse Dusseldorf
157. Stadtparkasse Monchengladbach
158. Stadtparkasse Wuppertal
159. Standard Chartered Bank (Frankfurt)
160. Unicredit Bank AG (Bayerische Hypo- Und Vereinsbank AG)

Greece

161. Agroindustrijsko-Komercijalna Banka AIK Banka Ad Beograd (Former ALPHA Bank)
162. Eurobank Ergasias SA
163. 169. Banca Rome Nasca SA (Former National Bank of Greece)
164. Piraeus Bank

Hong Kong

165. Cathay Bank
166. Chong Hing Bank Limited (Formerly Liu Chong Hing Bank Ltd)
167. DBS Bank (Hong Kong) Ltd
168. Hang Seng Bank Ltd
169. Hongkong and Shanghai Banking Corporation
170. Industrial and Commercial Bank of China (Asia) Ltd
171. OCBC Wing Hang Bank Ltd (Name changed as above w.e.f.29.09.2014)
172. Oversea - Chinese Banking Corporation
173. Shanghai Commercial Bank Ltd

Hungary

174. Magyar Takarekszovetkezeti Bank ZRT (Former Bank of Hungarian Savings) Cooperatives Co Ltd
175. Budapest Bank NYRT (Former Budapest Credit Development Bank RT)
176. CIB Bank ZRT(Former Central-European Int'l Bank Ltd (CIC Bank))
177. ERST Bank Hungary NYRT
178. Kereskedelmi ES Hitelbank (K and H Bank NYRT)
179. Magyar Nemzeti Bank
180. Raiffeisen Bank ZRT

India

181. Axis Bank
182. Bank of Baroda
183. Bank of India (Mumbai)
184. Bank of Maharashtra
185. Canara Bank

186. Central Bank of India
187. Development Credit Bank Ltd
188. HDFC Bank
189. ICICI Bank Ltd
190. IDBI Bank Ltd
191. Indian Bank
192. Indian Overseas Bank
193. Indusind Bank Ltd
194. Jammu and Kashmir Bank Ltd
195. Karur Vysya Bank
196. Punjab and Sind Bank Ltd
197. Punjab National Bank
198. RBL Bank Ltd
199. Saraswat - Cooperative Bank Ltd
200. State Bank of India
201. Tamilnad Mercantile Bank Ltd
202. UCO Bank
203. Union Bank of India
204. Yes Bank

Indonesia

205. PT Bank Artha Graha
206. PT BANK May Bank Indonesia (Former Bank International Indonesia)
207. Bank Mega
208. PT Bank Bukopin
209. PT Bank Central Asia TBK
210. Indonesia Eximbank (PT Bank Ekspor Indonesia)
211. PT Bank Mandiri (Persero)
212. PT Bank Negara Indonesia TBK
213. PT Bank Pan Indonesia TBK (Panin Bank)
214. PT Bank Permata TBK

Israel

215. Bank Hapoalim BM
216. Bank Leumi Le Israel BM
217. Bank of Palestine
218. Israel Discount Bank
219. Mercantile Discount Bank Ltd
220. Mizrahi Tefahot Bank Ltd
221. Union Bank of Israel Ltd

Italy

222. Banca Popolare DI Cividale SCPA
223. Banca DI Credito Cooperativo DI ALBA
224. Banca DI imola Spa
225. Banca Monte DEI Paschi Di Siena
226. Banca Nazionale Del Lavoro Spa (Merged into BNP Paribas)
227. Banco Popolare Soc. Coop (Banc

- Popolare Di Verona E Novara Scrl)
(Including Creito Bergamasco
spa, Banca Popolare Di Novara Spa)
Verona
228. Banca Popolare - Volksbank (Banca
Popolare Dell Alto Adige)
229. Banca Popolare Dell Emilia Romagna
230. Banca Popolare DI Sondrio
231. Banca Ubae Spa
232. Banca Valsabbina SCPA
233. Banco DI Desio E Della Brianza Spa
234. Credit Agricole Italia Spa (Former
Cariparma Spa)
235. Cassa DI Risparmio DI Bolzano Spa
236. Credito Valtellinese Società per Azioni
(Former Credito Valtellinese)
237. Deutsche Bank SPA
238. Hypo Alpe - Adria - Bank Spa
239. Intesa Sanpaolo SPA (Formerly Banca
Intesa SpA)
240. IW Bank SPA (UBI Banca Private
Investment merged into IW Bank SPA)
Bbrand Name IW Bank SPA Private
Investments SPA (w.e.f. 25.05.2015)
241. Unipol Banca SPA
242. Unipol Banca SPA (Former UGF Banca)
243. Unicredit Bank AG (Unicredito Italiano
SPA)
244. Union De Banche Italian SPA (Former
Banca Etruria Soc Coop)

Japan

245. 77 Bank Ltd
246. Australia and New Zealand Banking
Group Ltd
247. Bank of Kyoto
248. MUFG Bank (Former Bank of Tokyo-
Mitsubishi UFJ Ltd)
249. Bank of Yokohama Ltd
250. Chiba Kogyo Bank Ltd
251. Chukyo Bank Ltd
252. Gunma Bank Limited
253. Higashi - Nippon Bank
254. Hokuriku Bank Ltd
255. Kansai Mirai Bank(Kinki Osaka Bank
Ltd merged with Kansai Urban Banking
Corperation renamed as Kansai Mirai
Bank)
256. Kiyo Bank Ltd
257. Minato Bank Ltd (Formerly Midori
Bank Ltd)

258. Mizuho Bank Ltd
259. Nishi Nippon City Bank Ltd
260. Okazaki Shinkin Bank
261. Osaka City Shinking Bank
262. Resona Bank Limited
263. Saitama Resona Bank Ltd
264. SETO Shinkin Bank
265. Shiga Bank Ltd
266. Shinkin Central Bank
267. Standard Chartered Bank
268. Sugamo Shinkin Bank
269. Sumitomo Mitsui Banking Corporation
270. The Asahi Shinkin Bank
271. The Ashikaga Bank Ltd
272. The Hokkaido Bank Limited
273. The Shikoku Bank Ltd
274. The Shizuoka Bank Ltd
275. The Yokohama Shinkin Bank
276. Tokushima Bank Ltd
277. Tomato Bank Ltd
278. Yamagata Bank Ltd
279. Yamanashi Chuo Bank Ltd

Jordan

280. Arab Bank PLC
281. Arab Jordan Investment Bank
282. Bank Al Etihad
283. Bank Audi Sal - Audi Saradar Group
284. Bank of Jordan PLC
285. Cairo Amman Bank
286. Housing Bank For Trade and Finance
287. Investbank (formely jordan Investment
and Finance Bank (JIF Bank)
288. Islamic International Arab Bank Ltd
289. Jordan Ahli Bank PLC w.e.f. 12/11/2006
(Formerly Jordan National Bank)
290. Jordan Commercial Bank (Formerly
Jordan Gulf Bank)
291. SAFWA Islamic Bank (Formerly Jordan
Dubai Islamic Bank)
292. Jordan Kuwait Bank

Kazakhstan

293. JSC Bank Centercredit

Kenya

294. ABSA bank Kenya PLC(Former Barclays
Bank of Kenya Ltd)

Correspondent Banks By Country

Korea

295. Citibank Korea INC (Formerly Koram Bank)
296. Kookmin Bank
297. Korea Development Bank
298. KEB Hana Bank (Merged between Hana Bank and Kores Exchange Bank)
299. Kyongnam Bank
300. The Busan Bank Co Ltd
301. The Kwangju Bank Ltd
302. Woori Bank

Kuwait

303. Burgan Bank SAK
304. Commercial Bank of Kuwait SAKP
305. Gulf Bank KSCP
306. Kuwait International Bank
307. National Bank of Kuwait SAKP

Latvia

308. AS Reverta (Former Parex Bank)
309. Rietumu Bank
310. SEB Banka

Lebanon

311. Arab Bank PLC (Lebanon Branches Centre) Beirut
312. Bank Audi SAL - Audi Saradar Group
313. Bank Bemo SAL
314. Bankmed SAL
315. Bank of Beirut SAL
316. Banque Libano Francaise
317. BBAC SAL (Formerly Bank of Beirut and the Arab CountriesSAL)
318. BLC Bank SAL (Formerly Banque Libanaise Pour Le Commerce SAL)
319. BLOM Bank SAL
320. Byblos Bank SAL
321. Credit Libanais SAL
322. First National Bank SAL
323. Fransbank SAL
324. IBL Bank
325. MEAB Bank (Middle East and African Bank SAL)
326. Societe Generale Banque AU Liban SAL (Lebanese Canadian Bank S.A.L merged with Societe Generale Banque Au Liban SAL)
327. BSL Bank SAL (Former Societe Nouvelle De La Banque) De Syrie Et Du Liban Sal

Libya

328. National Commercial Bank SAL

Lithuania

329. UKIO Bank AS

Madagascar

330. Bank of Africa - Madagascar
331. Banque Centrale De Madagascar

Malaysia

332. Bank Islam Malaysia Berhad
333. CIMB Bank Berhad (Formerly Bumiputra Commerce Bank Berhad)
334. Hong Leong Bank (Former EON)
335. Malayan Banking Berhad (Maybank)
336. OCBC (Malaysia) Berhad
337. Oversea - Chinese Banking Corporation Ltd (Kuala Lumpur)
338. Public Bank Berhad
339. RHB Bank Berhad
340. United Overseas Bank (Malaysia) Berhad

Maldives

341. Bank of Maldives PLC
342. Habib Bank Limited

Malta

343. FIM Bank PLC Ltd

Mauritius

344. SBM Bank (Former State Bank of Mauritius Ltd)
345. The Mauritius Commercial Bank Ltd

Mexico

346. Banco Nacional De Mexico SA
347. BBVA Bancomer SA

Mongolia

348. Trade and Development Bank of Mongolia

Morocco

349. Credit Du Marco SA

Mozambique

350. Banco International De Mocambique S A R L

Namibia

351. Bank Windhoek Ltd

Nepal

352. Himalayan Bank Ltd
353. Nepal Credit Commercial Bank
354. Standard Chartered Bank Nepal Ltd

Netherlands

355. RBS Hollandsche NV (Former Hollandsche Bank - Unie NV)
356. ING Bank NV
357. Cooperatieve Rabobank UA (Name Changed w.e.f. 01.01.2016) (Former Name Rabobank Nederland)
358. Yapi Ve Kredi Bankasi AS

New Zealand

359. Bank of New Zealand
360. ANZ Bank SA Newzealand Limited (Former ANZ Bank National Bank Ltd)

Norway

361. DNB NOR Bank ASA (Formerly Den Norske Bank NA)
362. Spare Bank 1 Ostlandet (Sparebanken Hedmark Merged with Bank 1 Oslo Akershus)
363. Sparebanken More
364. Sparebanken Nord Norge

Oman

365. Sohar International Bank SAOG (Former Bank Sohar Saog)
366. Bankmuscat SAOG
367. National Bank of Oman SAOG

Pakistan

368. Allied Bank of Pakistan
369. Askaribank Limited (Formerly Askari Commercial Bank Ltd)
370. Summit Bank Ltd (Atlas Bank Merged to Summit Bank)
371. Bank AL Habib Ltd
372. Bank of Panjab
373. Albaraka Bank, Pakistan (Former Dawood Islamic Bank Ltd)
374. Dubai Islamic Bank Pakistand Ltd
375. Faysal Bank Ltd
376. Habib Bank Limited
377. Habib Metropolitan Bank Ltd
378. MCB Bank Ltd (Formerly Muslim Commercial Bank)
379. Meezan Bank Ltd
380. Summit Bank (Former Mybank Ltd)
381. National Bank of Pakistan
382. Soneri Bank Ltd
383. Standard Chartered Bank (Pakistan) Ltd
384. United Bank Limited

Paraguay

385. BAWRO BASA SA(Former Banco Amambay S A)

Peru

386. Banco De Credito DEL Peru

Philippines

387. Metropolitan Bank and Trust Co

Poland

388. Bank Handlowy Warszawa SA
389. Bank Millennium SA
390. Bank Pekao SA
391. Santander Bank Polska SA (Kredyt Bank SA)
392. PKO Bank Polski SA (New name) (Powszechna Kasa Oszczednosci Bank Polski SA) (Former Name Nordea Bank Polska SA)
393. BNP Paribas Bank Polska SA wef 29.03.2019 former Raiffeisen Bank Polska SA

Portugal

394. Banco BPI SA
395. Banco BIC Portugues SA(Former BNP - Banco Portugues De Negocios SA)
396. Caixa Economica Montepio Geral Caixa Economica Bancaria SA (Former Finibanca SA)

Qatar

397. Dukhan Bank(former Barwa Bank)
398. Doha Bank
399. Qatar International Islamic Bank
400. Qatar Islamic Bank SAQ

Romania

401. Banca Comerciala Romana SA
402. Banca Transilvania
403. BRD - Groupe Societe Generale S A
404. Unicredit Bank, SA (New Name .w.e.f 18.08.2015) (Former Unicredit Tirioc Bank)
405. Patria Bank SA

Russia

406. B and N Bank (Public Joint - Stock Compay) (M D M Bank - Name Changed as above w.e.f. 18.11.2016)
407. International Moscow Bank (New Name Joint Stock Company Uni Credit Bank)
408. Khanty - Mansiysk BANK Otkritie (PJSC) - New Name - w.e.f. 22.08.2016

- Bank Otkritie Financial Corporation - (JSC) (Otkritie FC Bank) (Former-Nomos-Bank (Novaya Moskva))

409. Sberbank
410. State Development Cooperation (Former Vnesheconombank)
411. VTB Bank (PJSC) (Public Joint Stock Company) (Formerly JSC VTB Bank - Bank for Foreign Trade (Vneshtorgbank)

Saudi Arabia

412. Al Rajhi Bank (Formerly Al Rajhi Banking and Investment Corporation)
413. Arab National Bank
414. Bank Al Bilad - Riyadh
415. Bank Al Jazira - Jeddah
416. Banque Saudi Fransi - Riyadh
417. National Commercial Bank Limited - Jeddah
418. Riyadh Bank - Riyadh
419. Samba Financial Group - Riyadh
420. Saudi British Bank (merged with Alawwal Bank wef 16.06.2019)

Scotland

421. Royal Bank of Scotland International Limited

Seychelles

422. Seychelles International Mercantile Banking (NOUVOBNQ)

Singapore

423. ABN AMRO
424. Bank of India (Singapore)
425. DBS Bank Ltd
426. Dexia Banque Internationale A Luxembourg
427. Indian Bank
428. Oversea - Chinese Banking Corporation Ltd
429. Skandinaviska Enskilda Banken AB
430. State Bank of India
431. The B Ank of East Asia Ltd
432. UCO BANK
433. Union De Banques Arabes ET Francaises (UBAF)
434. United Overseas Bank Ltd

Slovakia

435. Ceskoslovenska Obchodni Banka AS
436. Postova Bank AS
437. Slovenska Sporitelna A S
438. TARTA Bank AS

439. Unicredit Bank Slovakia AS
440. Vseobecna Uverova Bank AS

Slovenia

441. Abanka DD
442. Gorenjska Banka
443. Nova Kreditna Banka Maribor D D

Solomon Islands

444. Bank of South Pacific Ltd (Former National Bank Of Solomon Islands)

South Africa

445. ABSA Bank Ltd
446. Firstrand Bank Ltd
447. Nedcor Bank Ltd (NED Bank)
448. Standard Bank of South Africa Ltd
449. The Standard Chartered Bank of South Africa, Johannesburg

Spain

450. Banco Bilbao Vizcaya Argentaria
451. Banco De Sabadell S.A.
452. Caixa Bank (Banco De Valencia Merged with Caixa)
453. Banco Intercontinental Espanol (Bankinter)
454. Banco Santander SA (Former Banco Pastor SA)
455. Bankia SA (Former Caja Madrid)

Sweden

456. Nordea Bank Abp (Nordbanken AB (PUBL) merged to above in 2018)
457. Skandinaviska Enskilda Banken AB (PUBL)
458. Svenska Handelsbanken AG (PUBL)
459. Swed Bank

Switzerland

460. Banque Cantonale De Geneve
461. Banque Cantonale Vandoise
462. Banque De Commerce Et De Placements
463. BNP Paribas (Suisse) SA
464. Credit Sussie
465. EFG Bank AG (Former BSI SA)
466. CA Indosuez (Switzerland) SA (Former Credit Agricole (Sussie) SA)
467. Faisal Private Bank (Switzerland) SA
468. Habib Bank AG Zurich
469. Luzerner Kantonal Bank AG
470. UBS Switzerland AG
471. Zurcher Kantonalbank

Correspondent Banks By Country

Taiwan

- 472. Bank of Taiwan
- 473. E-Sun Commercial Bank Ltd
- 474. First Commercial Bank
- 475. HUA NAN Commercial Bank
- 476. Mega International Commercial Bank
- 477. Shanghi Commercial and Savings Bank Ltd
- 478. Taiwan Shin Kong Commercial Bank Ltd (Former Shin Kong Bank)
- 479. Taipei Fubon Commercial Bank
- 480. Taiwan Cooperative Bank
- 481. Union Bank of Taiwan

Thailand

- 482. Bangkok Bank Public Company Ltd
- 483. Bank of Ayudhya Public Company Ltd
- 484. Export Import Bank of Thailand
- 485. Kasikornabank Public Company Ltd (Formerly Thai Farmers Bank)
- 486. Krung Thai Bank Public Company Limited
- 487. Thanachart Bank Public Limited (Former Siam City Bank Public Company Ltd)
- 488. Siam Commercial Bank PCL
- 489. Standard Chartered Bank (Thai) Public Company Ltd
- 490. United Overseas Bank (Thai) Public Co Ltd

Tunisia

- 491. Banque Nationale Agricole
- 492. Attijari Bank
- 493. Societe Tunisienne De Banque

Turkey

- 494. AK Bank TAS
- 495. Anadolu Bank
- 496. Arab Turkish Bank
- 497. Burgan Bank (Former Euro Tekfen AS)
- 498. ING Bank AS
- 499. Kuvoyt Turk Kurk Katilim Bankasi AS
- 500. ICBC Turkey Bank AS (Former Tekstil Bankasi AS)
- 501. Turk Economi Bankasi
- 502. Turkiye Finance Katilinu Bankasi AS
- 503. Turkiye Halk Bankasi AS
- 504. Turkiye is Bankasi AS
- 505. Turkiye Vakiflar Bankasi TAO
- 506. Turkland Bank - T Bank
- 507. Yapi VE Kredi Bankasi AS

UAE

- 508. Abu Dhabi Commercial Bank
- 509. Abu Dhabi Islamic Bank
- 510. Arab Bank for Investment and Foreign trade
- 511. Commercial Bank International PLC
- 512. Commercial Bank of Dubai PSC
- 513. Dubai Islamic Bank PLC
- 514. Emirates NBD PJSC
- 515. Mashreqbank PSC
- 516. Emirates Islamic Bank PJSC (Former Middle East Bank)
- 517. First Abu Dhabi Bank PJSC (Former National Bank of Abu Dhabi)
- 518. National Bank of Fujirah
- 519. Noor Bank
- 520. United Arab Bank

Uganda

- 521. ABSA Bank Of Uganda Ltd (Former Barclays Bank of Uganda Ltd)

UK

- 522. AIB Group (Formerly Allied Irish Bank)
- 523. Barclays Bank PLC
- 524. Gulf International Bank (UK) Limited
- 525. HBL Lanka UK Ltd (Former Habibsons Bank Ltd)
- 526. HSBC Bank PLC
- 527. Lloyds TSB Bank PLC
- 528. National Westminster Bank PLC (Metro)
- 529. Standard Chartered Bank

Ukraine

- 530. Ukreximbank (State Export- Import Bank of Ukrain)
- 531. First Ukrainian International Bank - PJSC
- 532. OTP Bank - Public Joint Stock Company
- 533. PJSC 'Alfa - Bank' 713 Prominvest Bank
- 534. Industrial Invest Bank (Former Prominvest Bank)

Uruguay

- 535. The Banco De La Republic Oriental Del Uruguay

USA

- 536. Bank of America NA
- 537. Bank of New York Mellon (The Bank of New York) (Merged with Mellon Bank 21.07.08)
- 538. Branch Banking and Trust Co
- 539. CITIBANK NA
- 540. Cobank ACB
- 541. Commerce Bank NA
- 542. Deutsche Bank Trust Company Americas
- 543. First Hawaiian Bank
- 544. Habib American Bank
- 545. HSBC Bank USA
- 546. Huntington National Bank
- 547. Israel Discount Bank of New York
- 548. JP Morgan Chase Bank (Metro)
- 549. PNC Bank NA
- 550. Silicon Valley Bank
- 551. Santander Bank National Association (Former Sovereign Bank)
- 552. Standard Chartered Bank
- 553. Sun Trust Bank Ltd
- 554. UMB Bank NA
- 555. MUFG Union Bank National Association (Former Union Bank of California Na)
- 556. US Bank NA
- 557. Wells Fargo Bank NA (Wachovia Bank NA merged with Wells Fargo)

Vietnam

- 558. Bank for Foreign Trade of Vietnam
- 559. Commercial Bank for Bank for Investment and Development of Vietnam

Exchange Companies By Country

Australia

- 1 Cash Plus Forex Pty Ltd
- 2 Harbour and Hills Financial PTY Ltd(Former Kapruka (Pty) Ltd)
- 3 Serendib Financial Pty Ltd
- 4 PFG Forex

Bahrain

- 5 Bahrain Financing Company
- 6 Ezremit Ltd (BFC Bank)
- 7 National Finance and Exchange Co WLL
- 8 Zenj Exchange
- 9 Zenj Exchange Company WLL (Turbo Cash)

Cyprus

- 10 GS Cash Line

France

- 11 Tempo - France

Israel

- 12 Tifco Logistics and Trade Ltd
- 13 Global Remit Currency Services

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 Aman Exchange Co. WLL
- 21 Al Mulla International Exchange Co WLL
- 22 Al Muzaini Exchange Co Ksc (Closed)
- 23 Bahrain Exchange Co WLL
- 24 City International Exchange Co WLL
- 25 Etemadco Exchange Co WLL
- 26 Joyalukkas Exchange Co. WLL
- 27 Kuwait Asian International Exchange Co WLL
- 28 Kuwait Bahrain International Ex.
- 29 Kuwait India International Ex.co

- 30 National Exchange Co WLL
- 31 National Money Exchange Co WLL
- 32 Oman Exchange Co Ltd
- 33 Al Nada International Exchange (Former Security Exchange Co WLL)
- 34 UAE Exchange Centre WLL

Lebanon

- 35 Srour Exchange

Malaysia

- 36 Merchantrade Asia Sdn Bhd

Oman

- 37 Lulu Exchange Co. LLC (Asia Express Exchange)
- 38 Gulf Overseas Exchange Co. LLC
- 39 Hamdan Exchange
- 40 Joyalukkas Exchange (Majan Exchange LLC)
- 41 Modern Exchange Co. LLC
- 42 Musandam Exchange
- 43 Mustafa Sultan Exchange Co. LLC
- 44 Unimoni Exchange LLC (Oman and Uae Exchange Centre Co. LLC)
- 45 Oman International Exchange LLC
- 46 Oman United Exchange Co. LLC
- 47 Purshottam Kanji Exchange Co. 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 (Formerly Al Shaibei Exchange Co)

Singapore

- 61 Hbz International Exchange Co (Metro) (Singapore) Pvt Ltd
- 62 Mustafa Foreign Exchange (Metro)

Switzerland

- 63 Motherhouse Gmbh (Metro)

UAE

- 64 AL Ahalia Money Exchange Bureau- Abu Dhabi
- 65 AL Ansari Exchange Est- Abu Dhabi
- 66 AL Fardan Exchange- Abu Dhabi
- 67 Al Mona Exchange Co LLC- Dubai
- 68 AL Rostamani International Exchange (Formerly Thomas Cook Al Rostamani Exch. Co.)-Dubai
- 69 Delma Exchange - Abu Dhabi
- 70 Emirates India International Exchange Company - Dubai
- 71 Index Exchange Co LLC - Abu Dhabi
- 72 Joyalukkas Exchange - Dubai
- 73 Lari Exchange Establishment - Abu Dhabi
- 74 Lulu International Exchange LLC - Abu Dhabi
- 75 National Exchange Co - Abu Dhabi
- 76 Orient Exchange Co. LLC - Dubai
- 77 Redha AL-Ansari Exchange Est - Dubai
- 78 UAE Exchange Centre - Abu Dhabi
- 79 Wall Street Exchange Centre - Dubai
- 80 Xpress Money Services Limited - Abu Dhabi

UK

- 81 An Express Ltd
- 82 Global Exchange Ltd)
- 83 INTL FC Stone Ltd (IFL)
- 84 NEC Money Transfer Limited
- 85 SGC Corporation (Former Sique Global Services Ltd) (Metro) (Former Coinstar)
- 86 Worldremit(Metro)
- 87 TransferTo Thunes Mobile Services

USA

- 88 Moneygram
- 89 Prabhu Group INC
- 90 RIA Financial Services (Continental Exchange Solutions Inc)
- 91 Trans-Fast Remittance LLC
- 92 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/ Income Ratio

Operating expenses excluding impairment charge for loans and other losses, as a percentage of total operating income.

Country Risk

The credit risk associated with lending to borrowers within a particular country, sometimes taken to include sovereign risk.

Credit Risk

The risk of loss due to non-payment of a loan or other line of credit (either the principal or interest or both), by the borrower or a counterparty.

Credit Ratings

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting carried out by an independent rating agency.

D

Dealing Securities

Securities acquired and held with the intention of reselling them in the short term.

Debt Equity Ratio

Long-term borrowings divided by shareholder's equity.

Deferred Taxation

Sum set aside for tax in the Financial Statements that will become payable/ receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

Defined Benefit Plans

Retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earning history, tenure of service and age.

Derivatives

A financial instrument, the price of which has a strong relationship with an underlying commodity, currency variable or financial instrument.

Documentary Letters of Credit (LC)

Written undertakings by a bank on behalf of its customers (typically an importer), authorising a third party (e.g. an exporter) to draw drafts on the Bank up to a stipulated amount under specific terms and conditions. Such undertakings are established for the purpose of facilitating international trade.

Domestic Systemically Important Banks (D-SIBs)

Systemically Important Banks (SIBs) are perceived as banks that are "Too Big To Fail".

D-SIBs are critical for the uninterrupted availability of essential banking services to the country's real economy even during crisis. The CBSL has designated Licenced Commercial Banks with total assets equal to or greater than LKR 500 billion as D-SIBs.

E

Equity Method

A method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the invested. The Statement of profit or loss reflects the investor's share of the results of operations of the invested.

Events After the Reporting Date

Events after the Reporting date are those events, both favourable and unfavourable, that occur between the Reporting date and the date when the financial statements are authorised for issue.

Exchange Company/ House

An overseas location where the Bank's representatives provide banking services as a promotional tool.

F

Fair Value

The price that would be required to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease

Leases which transfer risks and rewards of ownership. Title may or may not eventually be transferred.

Financing Activities

Activities that result in changes in the size and composition of the equity capital and borrowings of the entity.

Financial Instruments

Financial instrument is any contract that gives rise to financial asset of one entity and a financial liability or equity instrument of another entity.

Glossary of Financial/ Banking Terms

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

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 uses to gauge its performance over time.

L

Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, bills of exchange, treasury bills.

Liquid Assets Ratio

Liquid assets expressed as a percentage of total liabilities other than shareholders' funds.

Liquidity Coverage Ratio – LCR

Refers to highly liquid assets held by Banks to meet short-term obligations. The ratio represents a generic stress scenario that aims to anticipate market-wide shocks.

Loss Given Default (LGD)

LGD is the percentage of an exposure that a lender expects to lose in the event of default.

M

Mark to Market

The practice of periodically revaluing marketable securities to their current market value.

Materiality

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements.

Minority Interest

That portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through Subsidiaries, by the Parent.

Mortality Rate

A measure of the number of deaths in some population, scaled to the size of that population, per unit time.

N

Net Asset Value Per Share

Shareholders' equity divided by the number of ordinary shares in issue.

Net Interest Income

The difference between what the Bank earns as interest on assets such as loans and securities and what it pays as interest on liabilities such as deposits, refinance funds and interbank borrowings.

Net Realisable Value

The estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Net Stable Funding Ratio (NSFR)

NSFR measures the amount of long-term, stable sources of funding employed by a bank relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations.

Nostro Account

A nostro account is a bank account held in a foreign country by a domestic bank, denominated in the currency of that country.

O

Off-Balance Sheet Transactions

Transactions not recognised as assets or liabilities in the Statement of Financial Position but which give rise to contingencies and commitments.

Operating Activities

The principal revenue producing activities of an entity and other activities that are not investing or financing activities.

P

Plan Assets of an Employee Benefit Plan

Assets held by a long-term employee benefit fund.

Price Value Per Basic Point (PVBP)

Estimated change in the value of portfolio due to one basic point change in interest rate.

Primary Dealer Special Risk Reserve

Reserve maintained in order to strengthen capital base further with development of capital market.

Probability of Default (PD)

PD is a financial term describing the likelihood of a default over a particular time horizon. It provides an estimate of the likelihood that a borrower will be unable to meet its debt obligations.

Projected Unit Credit Method

An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Property, Plant and Equipment (PPE)

Tangible assets that:

- (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- (b) are expected to be used during more than one period.

Prudence

Inclusion of a degree of caution in the exercise of judgement needed in making the estimates required under conditions of uncertainty such that assets or income are not overstated and liabilities or expenses are not understated.

R

Redemption

Repayment of principal monies.

Related Parties

Two parties where one controls the other or exercise significant influence in financial and operating decisions, directly or indirectly.

Repurchase Agreement

Contracts relating to securities sold to creditors (who lend money for funding purposes), with the intention of buying them back at a set price on a specified future date.

Glossary of Financial/ Banking Terms

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 asset 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

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

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 : corpcsupport@boc.lk
crsupport@boc.lk

Branch Code : 660

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

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

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

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

Corporate Offices and Overseas Branches

Trade Promotion Department

Service provider for migrant employee community

7th 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 : mgrintrade@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

Malé Branch

“Aage” No. 12, Boduthakurufaanu Magu,
Henveiru, Male. 20094,
Republic of Maldives.

Tel : +960 3323045, 3020500
Email : agmmale@boc.lk
SWIFT code : BCEYMMVMV

Branch code : 632

Hulhumale Branch

Teak Unit 1,
Amin Avenue, Hulhumale,
Repuplic 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 : +248 461 1880, 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 : 7010

SWIFT code : BCEYLKLX

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

'CCC' by Fitch Ratings

Lawyers

Ms N W J S P Nanayakkara

Acting Chief Legal Officer of Bank of Ceylon and her 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

Mr M P Ruwan Kumara
Deputy General Manager
(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

Notes

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