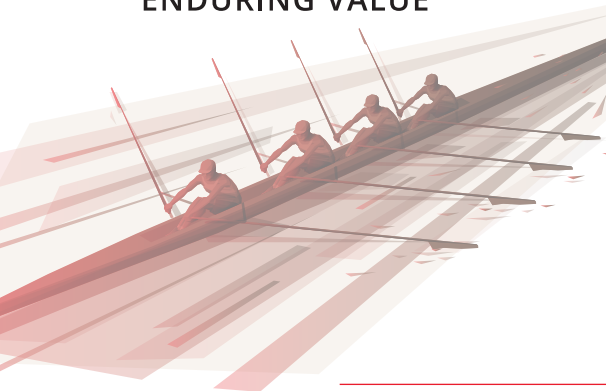


IN SYNC

TO CREATE ENDURING VALUE

IN SYNC TO CREATE ENDURING VALUE



With change and disruption engulfing us in 2022, we moved ahead powered by human ingenuity demonstrated by our team supported by breakthrough innovation. We at Seylan Bank are in sync with these waves of changes. We transformed and adapted to a digital-first environment by adapting and evolving to create new paradigms of value.

We remain resolute and focused on strengthening our balance sheet and risk management parameters whilst investing in new technology, and process efficiencies to build a future-ready bank thus creating enduring value for all our stakeholders.

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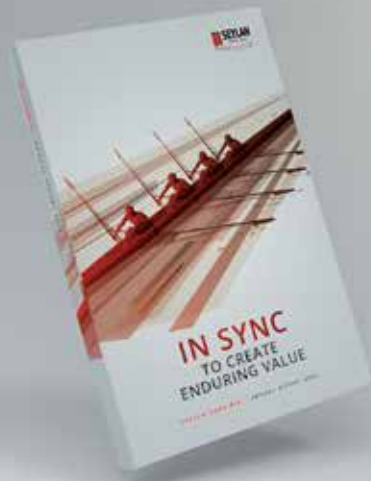
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ABOUT THIS REPORT



Seylan Bank is pleased to present its tenth Integrated Annual Report for the calendar year of 2022

The theme for the Annual Report 2022, 'In Sync to Create Enduring Value' resonates strongly with our commitment to deliver sustainable value across our diverse groups of stakeholders. This has been our core purpose which has shaped our journey thus far.

As always, we have been a constant source of inspiration and a guiding force of strength to all our stakeholders during this challenging phase. As we pivot to be a technologically transformed Bank with a strong customer-centric mandate, we are committed to uphold the highest standards of transparency and accountability to maintain the trust garnered over the years.

Scope and Boundary of Reporting

Reporting Period

The Annual Report 2022 covers the 12-month period from 1 January to 31 December 2022 and is consistent with the annual reporting cycle for financial and sustainability reporting. Any material events after this date and up to the Board approval date of 22nd February 2023 have also been included. There are no significant changes from previous reporting periods in the scope and aspect boundaries. The most recent Annual Report covered the 12-month period ended 31 December 2021. Comparative

financial information, if re-classified or re-stated, has been disclosed and explained in the relevant sections.

Reporting Boundary

The content of this Report does not cover the activities of its subsidiary, Seylan Developments PLC, which produces its own Annual Report. This Report presents material information on economic, social and environmental performances of Seylan Bank PLC in respect of the reporting period.

Compliance

Both financial and non-financial information contained in this Report comply with applicable rules and guidelines stipulated by the Central Bank of Sri Lanka, the Companies Act No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and the Institute of Chartered Accountants of Sri Lanka.

Sustainability Reporting Framework

In addition, this Report includes details of the Bank's relationship with its key stakeholders in creating sustainable value and these are described in the relevant sustainability sections. The Bank's Report is based on the Global Reporting Initiative Sustainability Reporting Standards (GRI) and is prepared in accordance with latest GRI Standards.

Content of the Report with Comparative Information and Limitations

This Report presents performances of the Bank in a way our stakeholders can get a comprehensive view of the Bank's policies, operations and processes. Transparency in reporting helps the Bank identify and address its weaknesses, while building on its strengths. Key Performance Indicators are presented with comparative data relating to the previous year.

Independent Assurance

The Bank engaged Messrs. KPMG to obtain an independent assurance of our sustainability report. Their Sustainability Assurance Report appears on pages 73 to 74 in this Annual Report. Further, Messrs. KPMG has given their opinion on the financials given on pages 160 to 164 of this Annual Report.



This integrated report can be accessed through the Bank's website at <https://www.seylan.lk/about-us/investor-relation>

Feedback may be directed to :
Ms Champika Dodanwela
Chief Financial Officer
Seylan Bank PLC
Tel: (94) - (11)-2456358
Email: champikad@seylan.lk

SEYLAN BANK STORY

Seylan Bank is a licensed commercial bank and a public limited liability company incorporated in Sri Lanka and listed on the Colombo Stock Exchange. The Bank offers a comprehensive suite of products and services to its corporate, Medium and Small Enterprises (SME) and retail customers. Seylan Bank is focused on delivering a positive societal and environmental impact underpinned by a unique customer-centric and people-driven culture.

The Bank's strategic pivot in response to the changes occurred precipitated by the pandemic has resulted in the acceleration of its digital initiatives. Thus, the Bank is well-positioned to be a 'future ready' bank by harmonising its wide physical and unparalleled reach with digital capabilities to provide a differentiated service.

There were no significant changes in the size, structure, ownership or supply chain of the Bank during 2022.

Vision

To be Sri Lanka's leading financial services provider as recognised by all our stakeholders

Mission

We provide our customers with financial services that meet their needs in terms of value, pricing, delivery and services. We will do so through a team of Seylan bankers who are recognised and rewarded for results orientation. We will ensure that our efforts translate to meeting the expectations of our shareholders, whilst always acting as responsible corporate citizens.

Our suite of banking services consists of Branch Banking, Retail Banking, Corporate and Foreign Currency Banking, International/Trade Finance, Treasury which are the main business lines.

The service delivery is ably supported by the functions of Operations, Human Resources, Marketing, Information Technology, Digital Banking, Legal, Recoveries, Credit Administration, Finance, Risk, Internal Audit and Compliance etc.

Seylan Bank PLC holds 70.51% of its subsidiary Seylan Developments PLC as at 31 December 2022.
(For more details, please refer Note 28.1).



KEY FINANCIAL HIGHLIGHTS

	Bank			Group		
	2022	2021	Change	2022	2021	Change
	LKR'000	LKR'000	%	LKR'000	LKR'000	%
For the year						
Gross Income	96,817,975	54,767,049	76.78	96,836,414	54,750,691	76.87
Profit before Income Tax	6,628,860	6,027,776	9.97	6,796,658	6,184,680	9.90
Income Tax Expense	1,916,597	1,447,236	32.43	2,218,888	1,449,010	53.13
Profit Attributable to Equity Holders of the Bank	4,712,263	4,580,540	2.88	4,574,359	4,653,003	(1.69)
Other Comprehensive Income for the Year, net of Tax	(2,724,398)	(1,521,020)	79.12	(2,746,463)	(1,479,099)	85.68
Total Comprehensive Income Attributable to Equity Holders of the Bank	1,987,865	3,059,520	(35.03)	1,834,403	3,161,541	(41.98)
Revenue to Government *	4,690,632	3,382,048	38.69	4,992,923	3,383,822	47.55
Gross Dividend **	1,155,552	1,602,571	(27.89)	1,155,552	1,602,571	(27.89)
At the Year End						
Total Equity Attributable to Equity Holders of the Bank	54,450,298	52,053,009	4.61	56,202,061	53,958,234	4.16
Retained Earnings	31,063,994	29,196,617	6.40	31,697,936	29,967,349	5.77
Customer Deposits	547,315,755	488,653,328	12.00	547,315,755	488,653,328	12.00
Customer Loans and Advances	444,219,508	441,976,662	0.51	444,219,508	441,976,662	0.51
Total Assets	672,805,644	607,576,911	10.74	672,835,176	608,090,133	10.65
Information per Ordinary Share						
Basic/Diluted Earnings per Share (LKR) ***	8.16	7.93	2.90	7.92	8.05	(1.61)
Dividend per share (LKR) **	2.00	3.00	(33.33)	2.00	3.00	(33.33)
Net Assets Value per Share (LKR)	94.24	97.44	(3.28)	97.27	101.01	(3.70)
Market Value (LKR) - As at End of the Year						
Voting Shares	31.60	44.00	(28.18)			
Non - Voting Shares	16.20	33.30	(51.35)			
Statutory Ratios (%)						
Capital Adequacy						
Common Equity Tier 1 Capital Ratio (%) (Minimum Requirement - 7.00 %)	10.69	10.72	(0.28)	10.97	10.92	0.46
Total Tier 1 Capital Ratio (%) (Minimum Requirement - 8.50 %)	10.69	10.72	(0.28)	10.97	10.92	0.46
Total Capital Ratio (%) (Minimum Requirement - 12.50 %)	13.59	14.11	(3.69)	13.87	14.28	(2.87)
Liquidity						
Statutory Liquid Assets Ratio (%) (Minimum Requirement - 20 %)						
- Overall	25.51	22.97	11.06			
- Domestic Banking Unit Operations	25.16	22.84	10.16			
- Foreign Currency Banking Unit Operations	25.02	23.30	7.38			
Liquidity Coverage Ratio (%) (Minimum Requirement - 90% (2021 - 100 %)						
- Rupee	280.14	163.02	71.85			
- All Currency	175.10	132.70	31.95			
Other Ratios						
Price Earnings Ratio - Voting (Times)	3.87	5.55	(30.27)			
- Non - Voting (Times)	1.99	4.20	(52.62)			
Dividend Cover (Times) **	4.08	2.86	42.66			

* Excluding Surcharge Tax paid LKR 1,168,335,036.00 in 2022.

** Dividends are accounted for as per the Sri Lanka Accounting Standard - LKAS 10.

*** Earnings per share has been restated as per Sri Lanka Accounting Standard - LKAS 33.



CHAIRMAN'S MESSAGE

“The earnings delivered by the Bank during the year despite making substantial provisions on prudential basis could be considered a strength going forward.”

Dear stakeholders,

It is with a sense of cautious optimism that I welcome you to the 36th Annual General Meeting of the Bank as the after-effects of the economic challenges are still reverberating through the sector although we are beginning to see some silver lining with signs of gradual restoration of economic stability.

The year 2022 turned out to be yet another in a series of cataclysmic events which tested the resolve of the Bank to be more proactive in being aware of the risks and taking the necessary steps in managing such risk to insulate the company from what could have brought undue implications.

We stepped into 2022 with much optimism to build on the momentum we gathered in 2021, looking past the post pandemic induced economic challenges in the previous two years.

Nevertheless, the foresight displayed by the Bank and the timely action that followed enabled to minimise the impacts and continue to create enduring value, the evidence of which will be outlined in this report.

Proactive measures and mitigation of associated risks

The Management of the Bank has been proactive in foreseeing the early signs of challenges and took appropriate measures to mitigate same. Having gone through multiple challenges before, the Bank demonstrated its maturity and experience in navigating turbulent times which came about in 2022, even though what the economy confronted during the year was entirely unique and totally unprecedented.

Such proactive measures helped the Bank to arrive at the best course of action to deal with the challenges. This is reflected in the

financial performance of the Bank presented in this report.

While risk management has always been the central focus of the Bank, it became more so in 2022 as we embedded greater risk awareness and action to mitigate the associated risk throughout the year.

Financial resilience

Bank's prudent management approach ensured sound and safe business continuity, with due attention on profitability, growth momentum and adequate liquidity.

The focus was on stability through diligent provisioning and maintaining of adequate liquidity whilst achieving profitability through operational efficiency and sound risk management.

It should be mentioned that while Bank's capital remains above the regulatory requirement, the Bank would be focusing on the need to

bolster Tier 1 capital further. The earnings delivered by the Bank during the year despite making substantial provisions on prudential basis could be considered a strength going forward.

Performance overview

It was commendable to see how the team came together swiftly showing great spirit to ensure the Bank's day to day operations continued without any interruption whilst maintaining the service quality the Bank is known for.

The operational efficiency achieved during the year despite cost inflation and other disruptions would stand in good stead in moving forward.

Our progressive transition into digitalisation keeps customers closely connected achieving greater customer convenience.

Special emphasis was made on building compliance, cyber security, customer privacy and data protection on a basis of priority.

While our commitment for continuous investments in digitalisation will remain steadfast, we look to re-prioritise certain investments in this area given the business opportunities and other regulatory requirements.

Environment, Social and Governance (ESG) and Sustainable Development Goals (SDGs)

The Bank has been consistently improving its commitment towards Environment, Social and Governance standards to ensure that it remains climate friendly in its operational and business activities, fosters diversity, equality and inclusion while it maintains and improves corporate governance.

In a further development last year, we have also hired an external consultant to assist the Bank to develop a 'Sustainable Strategy' for the next 10 years, and to embed

same into the Bank's corporate strategy which would reflect how much we are willing to embrace ESG/SDG as part of our core banking.

Board stewardship

The Board played its stewardship role delivering consistent value despite the ongoing multiple challenges that the Bank had to go through under different circumstances in 2022, aligning medium term and long term goals.

Further, the Bank consciously set aside optimum provisions for possible stresses in our loan book which could build up as a result of the weakening borrower profiles, reflecting the absolute prudence that the Bank practiced in managing the potential downside risks.

Future outlook

While it remains difficult to predict how the situation would evolve given the uncertainties surrounding the economy, one has to be cautious whilst being optimistic about the recovery of the economy.

Appreciation & acknowledgement

As we close another challenging period and stepping into another year, I wish to take this opportunity to thank and appreciate all the hard work done and the unstinted commitment demonstrated by the senior management and the entire Seylan Bank team in adding value to all stakeholders.

I commend the Director/Chief Executive Officer, Mr. Kapila Ariyaratne for his steadfast leadership to navigate the Bank through back to back challenges.

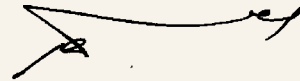
I also wish to extend my sincere gratitude to my colleagues of the Board whose combined expertise, experience and insights were invaluable. Further I must greatly appreciate the contribution made by all the Board sub-committees in their respective roles.

On behalf of the Board, I wish to thank our colleagues Mr. Kapila Jayawardena – Deputy Chairman and Ms. M Coralie Pietersz - Senior Director who left the Board after completing nine years last year and wish them the best. The contribution made by them during their term of office is greatly appreciated.

I also take this opportunity to thank the shareholders, the customers and other stakeholders for their unstinted support during these challenging times.

I also offer my appreciation to the officials of the Central Bank for their continuous guidance and assistance.

We wish all our stakeholders all the best for the future.



W M R S Dias
Chairman

22 February 2023



MESSAGE FROM DIRECTOR/ CHIEF EXECUTIVE OFFICER

“ We believe we have kept pace with the challenges and disruptions to create enduring value for all our stakeholders despite the toughest of times, setting the company up for continued strength, growth and value creation.”

We entered 2022 with positive aspirations amid what was expected to be improved operating conditions compared to 2021. However, the narrative completely changed early on in the year, from the pandemic-induced stresses we had to endure for the past two years to economic challenges of an unprecedented scale, the effects of which are still being felt by everyone.

Nonetheless, aided by the ‘back to basics’ program of consolidation undertaken through our new strategic plan which was put into force in the previous year and the agility to adapt quickly to the drastic changes taking place in the external environment, we have been able to improve the bottom line and record the highest profit in the history of the Bank while maintaining key operational and regulatory ratios above the regulatory norms expected. We believe we have kept pace with the challenges and disruptions to create enduring value for all our stakeholders despite the toughest

of times, setting the company up for continued strength, growth and value creation.

Challenging operating environment

Despite the numerous adversities faced as the country underwent economic turmoil, exacerbated by a worsening global economic outlook, we have ensured that the Bank remains strong and stable and well appreciated by our customers.

The sharp devaluation of the Rupee followed by the sovereign debt standstill, a sudden spike in the interest rates and the overall severe economic downturn together brought enormous pressure on capital, liquidity and the asset quality of the Bank and the industry alike. By anticipating the economic developments that were to follow we were able to manage these difficult conditions without compromising on our ethos of keeping our customers’ interest and welfare at heart and sustaining relationships with depositors and borrowers alike.

I am pleased to say that even amid the heightened foreign currency liquidity shortages, we honored our commitments to both our foreign counter-parties on behalf of our customers and our foreign funding partners who had placed enormous confidence in us for years, thus ensuring these relationships were further strengthened enhancing the trust that we have built over the years.

Our staff, who were equally affected by the runaway inflation and prolonged transport difficulties due to the fuel shortage, were provided with both financial and non-financial support to ensure their well-being. They in turn responded well in the face of challenges by ensuring that operations weren’t interrupted at any point amid the economic and social upheaval.

Enduring operational value

Despite the multitude of difficulties faced, many of which were out of our control, we continued to improve on our operations and service delivery excellence.

Our relentless pursuit of digital transformation in all areas of business helped to offset some of the adverse impacts of economic challenges. Working within this difficult context offered us the opportunity to re-think and re-engineer many of our processes and become more efficient and productive in all that we do. These changes and process improvements have helped us become leaner and more agile, giving us the ability to quickly respond to any other headwinds that may come our way. This transformation also helped us to partly offset the impact of the rising staff attrition levels we have seen in 2022, by ensuring that our experienced staff was freed to interact directly with our customers where necessary. We also bolstered our bench strength with new recruitments.

The move to adapt newer technological processes has positively impacted the efficiency and ease with which customers are able to interact with the Bank. Digital adaptation was further aided by on-boarding our clients from the onset to our digital platform which offers them end-to-end assistance. We are presently working on a state-of-the-art ATM and CRM solution which will further enhance our relationships with our clients and strengthen our multichannel delivery. We have also launched our payment specific mobile app, SeylanPay, and are in the process of implementing eKYC to facilitate virtual customer onboarding.

While our commitment to advancing our digital journey remains unchanged, we were forced to carefully prioritise some projects and queue others, in order to manage the allocation of resources and help conserve capital and costs. In parallel to our heightened digital focus, we enhanced our investments in staff training and upskilling by retraining and retaining our cadre with a clear focus on the fast-changing needs in the industry. With the rapid pace of digital transformation and

financial innovations, this helped us keep pace with our customers' aspirations and expectations.

While we were impacted by the exodus of skilled people from the country we have and will continue to take all necessary steps to retain our employees and provide them with a clear path to career progression. Our robust succession plan has helped us in ensuring the vacancies created were seamlessly filled with trained and capable employees, enabling us to maintain our high level of customer service which saw us being crowned as the 'Best Service Provider' in the Banking Sector as per the LMD survey, for the fourth successive year.

Financial endurance

Despite the challenging context, the Bank delivered a NII (Net Interest Income) of LKR 41Bn, which was an increase of 72% due to the timely and judicious management of assets and liabilities amidst a rapidly changing interest rate regime. This management prowess helped the Bank to retain a healthy NIM (Net Interest Margin), especially in the early part of the year though the NIM quickly normalized with the rapid repricing of deposits due to market conditions.

Meanwhile, our net fee and commission income grew by 39% to LKR 6 Bn in 2022 supported by the Foreign Currency Banking Unit profits, which helped us to offset to an extent the decline in the general business volumes.

We had to make impairment provisions both on account of the stresses in the loan book and foreign currency denominated bonds stemming from the default rating on such financial assets. Total provisions (impairment charge) for the year amounted to LKR 26 Bn, compared to LKR 10 Bn in 2021. While enhanced provisions weighed heavily on the short-term earnings, I am happy to say that this reflects the Bank's

extra-cautious approach to possible future risks and puts Seylan Bank in much better stead when the economy comes out of the current downturn. These provisions took our Stage 3 provision cover ratio to 54.36 % from 47.84% a year ago.

In line with the industry, our asset quality suffered some set-back but stood at 4.98% as measured by the Stage 3 loans ratio. Meanwhile, our non-performing loans have been fairly spread across the portfolio spanning retail, housing, SME and corporate banking business verticals demonstrating the impact of the economic stresses on all segments.

Overall, behind the reported numbers is a story of how the Bank has been made future-ready, setting it up for a swift upswing in performance in step with the expected economic resurgence.

Environment, Social and Governance (ESG) commitment

Our Environment, Social and Governance agenda evolved at a much more rapid pace and in this respect, I am pleased to say that we became early adopters of ESG. We believe it is a conscious strategic choice that needs to be embraced in everything the Bank does, to ensure that we minimize our carbon emissions and remain committed to diversity, equity and inclusion, while being driven by good corporate governance. Our future agenda on ESG will be driven by a 10-year Sustainability Strategy developed with external expert assistance and will be an integral part of the Bank's overall corporate strategy.

On the social responsibility front, as an extension to what we have been doing, we upgraded school libraries with digital and other resources to facilitate their shift to remote and virtual learning opportunities, in line with new developments that are taking place in the education sector.

MESSAGE FROM DIRECTOR/ CHIEF EXECUTIVE OFFICER

Rewards & accolades

Seylan Bank continued to shine at various local and global forums and in publications for its excellence in various areas of its business last year.

For instance, we emerged as the only Sri Lankan bank to receive the Silver award at the Dragon Asia Awards under the category of social responsibility for its #responsiblеме campaign which was carried out during COVID-19. LMD, Sri Lanka's premier corporate magazine, named Seylan Bank as best in service in the banking sector for the fourth consecutive year, an achievement we are especially proud of given our overriding commitment to excellence in customer service. Meanwhile, Seylan Bank's brand was recognized among the top 20 Sri Lankan brands by LMD Brands.

Corporate strategy

As was essential in these times of constant change and headwinds, we reviewed and updated our corporate strategy internally and will do so in the coming year as well, as necessitated by the extreme volatility and uncertainty in the market. Our branch network turned in a superlative performance despite all the difficulties that were experienced in the year and will remain our focal point for future expansion and growth. We hope to recommence new branch openings this year after a lapse of almost 3 years. Trade services and card operations were key contributors to our fee-based income last year and will continue to play a vital role as we look to support the growth in the economy by building and expanding relationships across the Corporate and SME sectors.

Future outlook

As we look past the turmoil we faced last year, I remain cautiously optimistic that the economy will turn a corner in 2023 with the progress being made in obtaining financing assurances to unlock

the much-awaited International Monetary Fund program.

I am confident that the banking sector, which has withstood every challenge put in front of us in the last few decades and provided the relief and support needed by the economy in general and our customers in particular, will continue to remain strong and stable and will once again provide the necessary impetus for the economy to rise out of the current doldrums.

Appreciations

I would like to take the opportunity to express my appreciation to the Seylan team for their commitment and dedication to ensure that the Bank delivered a strong performance despite many personal hardships. Their passion, dedication and commitment to our collective goals have been unwavering and I would like to thank all members of our staff and their families for upholding our commitment to our customers and helping the Bank to make continuous progress.

I am very grateful for the invaluable, constant guidance and support received from our Chairman and the Board of Directors. They have been a pillar of ever-present support to the team. The management team has been the glue that held everything together and has emerged stronger as a close-knit unit through these challenging times. I thank each and every one of them including the long-serving members who retired during the year for their commitment and support.

Our customers have gone through many challenges during the last three years, and we couldn't have asked for more from them than the utmost loyalty they demonstrated throughout. As much as they relied on us to ride through the tough times, we relied on them for our stability and growth. The many examples of courage, innovation

and endurance they displayed during these difficult times provided us with the inspiration to do better.

I also wish to place on record my sincere appreciation for the patience and confidence placed in the Management team by the shareholders during these toughest of times.

Finally, I thank the Central Bank of Sri Lanka, our regulator who has been extremely supportive, and we are grateful for their guidance at all times during this most challenging period.

As we approach our 35th anniversary we look to the future with hope and confidence and are excited to continue this journey of growth and progress with all our stakeholders.



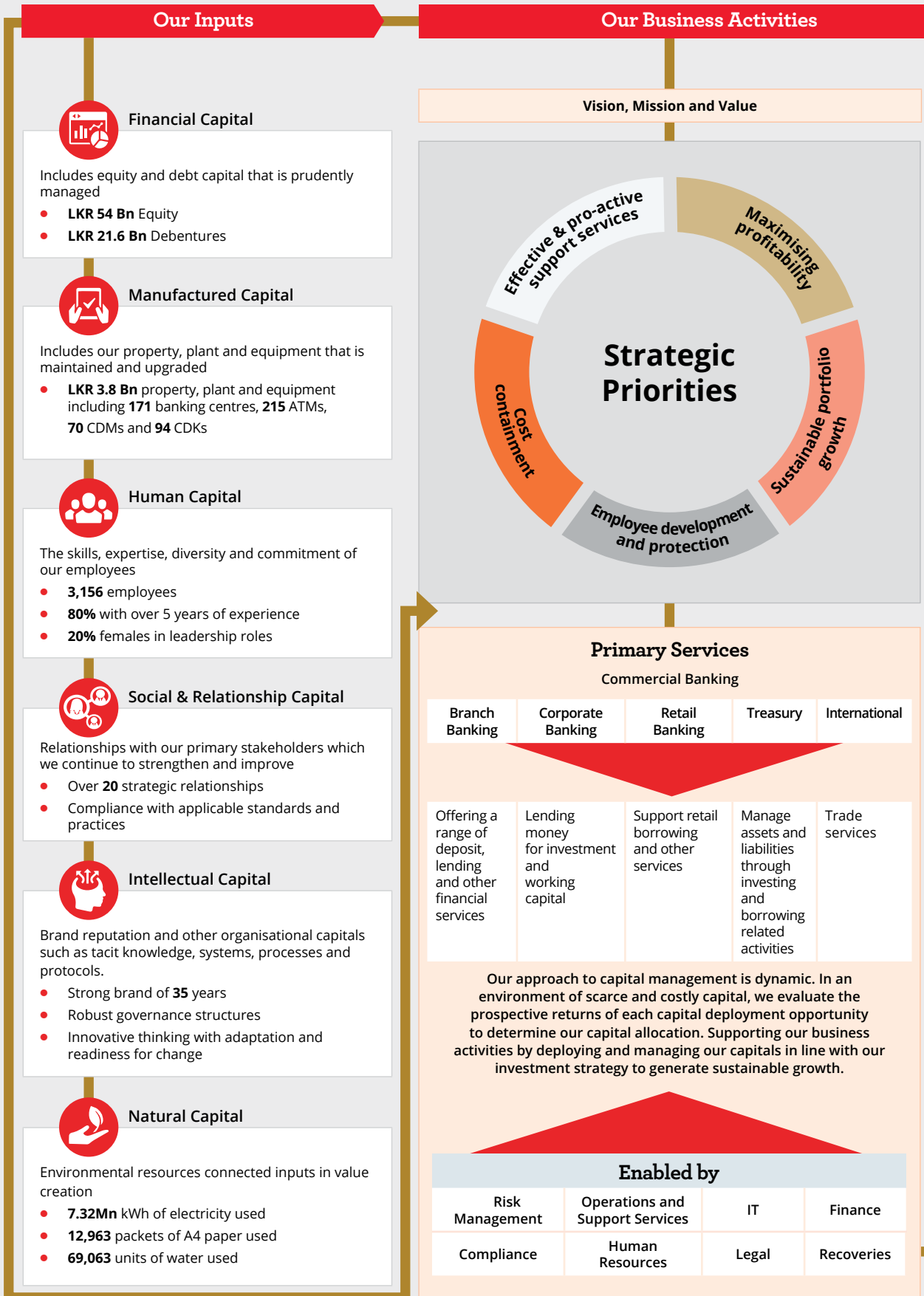
Kapila Ariyaratne
Director/Chief Executive Officer

22 February 2023

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VALUE CREATION MODEL



Outputs

Outcomes

Seylan Bank's core outputs are the products and services provided to its customer including, loans and advances, investments, deposits, forex products, remittance services, fee-based services, international trade related products and services, unfunded facilities, REPO transactions, advisory services etc

LKR 444 Bn

Net Loans

LKR 33.2 Bn

Interest Paid

LKR 167 Bn

Imports

LKR 98 Bn

Exports

"Strong Compliance and Governance"

"Consistent Financial Performance"



We are committed to monitoring and improving the ESG-related impacts of our business activities and investment decisions.

INVESTORS

- Sustainable growth /return
- Regulatory compliant capital and liquidity
- Risk-return optimisation
- Preservation of shareholder expectations
- Persuasive shareholder and investor engagements

- PAT LKR **4.7 Bn**
- ROA **0.74%**, ROE **8.85%**
- **10.69%** Tier I capital
- **175.10%** Liquidity coverage ratio (all currency)

CUSTOMERS

- Improvement in financial literacy that fosters well informed decision-making
- Financial inclusivity
- Education and engagement influenced towards accomplishing "Sustainable Development Goals"

- LKR **39,483 Mn** interest expense for depositors
- Over **4 Mn** Digital transactions
- **80.66%** customer satisfaction index
- "Best in Service" for the 4th consecutive year by the "LMD magazine"
- Incentives for senior citizens through "Seylan Harasara"

EMPLOYEES

- Career advancements with mutual benefits
- Knowledge, skills and attitudes leveraged to improve work processes and procedures
- Better interrelationships and external party interactions for social resilience
- Inclusion and diversity embedded into our culture

- **139,888** training hours and LKR **51.9 Mn** invested in training
- **385** recruitments
- **331** promotions

SUPPLIERS, BUSINESS PARTNERS

- Fostering entrepreneurship and employment generation
- Stronger correspondent banks network
- Responsible and potential collaborations

- Governance & transparent policies
- Facilitating for Tax compliance

COMMUNITY

- Strong finance enabler
- Paving the way forward for inclusive finance
- Societal resilience through purpose-centric engagements

- LKR **7.52 Mn** invested in community projects
- LKR **5.47 Mn** in education related investment
- 10 "Seylan PeheSara" libraries for needy schools

ENVIRONMENT

- Environmentally resilient business model
- Negated / mitigated environmental impact while boosting positive impact
- Strengthening ESG framework in compliance with industry best standards and practices
- Training and capacity building on environmental and social literacy of staff and borrowers

- **635 GWh** renewable energy produced and transferred to the national grid
- Exhaustive environmental and social management system rolled out & implementing of "SLBA-SBI" 11 principles overarching ESG framework
- Over **350** credit staff members trained on Environmental and Social Impact Assessment (ESIA) and due diligence
- **1,422** Staff members completed five E-learning modules on Sustainable Banking Initiative of Sri Lanka Banks Association (SLBA SBI)

STAKEHOLDER ENGAGEMENT FOR LONG LASTING RELATIONSHIPS

We treat stakeholder engagement as an on-going process of fostering long-term relationships amongst our stakeholders in a more impactful, sustainable and viable manner. Stakeholder feedback gathered is assessed and mapped against its audience to be a catalyst in tailoring our products and services and enhancing the value propositions in a dynamic environment. We aim to delight every stakeholder based on their diverse stakes and execute our obligations towards them in a responsible manner.

Our business units and support services are attuned with sufficient resources to identify actual and potential business impacts resulting from various

engagement encounters as described in the table below and carry forward dialogues of numerous means to exercise due diligence measures as appropriate for prevention while also insisting on the feel importance of two-way communication wherever possible, including digital interface, with a view to empower our stakeholders to be a proactive element of our business equation.

We have piloted a QR code initiative for customers to rate our services and also forward their complaints if any, as a means of walking an extra mile to explore how customers feel about our service delivery and the quality.

We dedicated a special day across our branch network (21 December 2022) to thank our customers, for being a valuable stakeholder group and earning the fame accolade of winning the best in customer service excellence, a survey of which was conducted by the LMD magazine. Resonating Responses received herein were evaluated for further improvement as a proof of stakeholder engagement realised on real grounds.

Except in customer engagement surveys such as 'mystery shopper' and 'spy inspections' where we contract authorised and reliable third-party service providers. Other engagements take place either through virtual platforms or multitude form of in-person engagements.

Stakeholder	Purpose in line with Change	Our Approach	Engagement Mechanism	Frequency
Investors Refer page 20 to 25 for more details	<ul style="list-style-type: none"> Develop a robust capital adequacy framework as means of readiness for unprecedented change and externalities ESG resilience as a Sustainable Business Model Development of Sustainability Strategy factoring SDGs Capacity building on emerging opportunities Exploring into opportunities through Green & Climate Finance 	<ul style="list-style-type: none"> Create Digital tools and disaster management platforms in a user-friendly manner Environmental and social management system to assess business impact and exercise due diligence with a parallel capacity building programme Implementing integrated risk management practices besides emerging threats and opportunities Compliance to Basel recommendations and other regulatory requirements Pragmatically link Sustainability Strategy with Business Context 	Annual Reports & AGMs	A
			Interim Financial Statements	Q
			Extraordinary General Meetings	WR
			Investor forum CSE notices, Press articles, surveys & other	WR
			One-to-one meetings	WR
			Corporate website and feedback	R
Customers Refer page 26 to 33 for more details	<ul style="list-style-type: none"> Enhanced Financial Literacy as a Catalyst for Ethical Financial Selling Inclusive Financing and Capacity Building Ensure Data Security and Cyber Security across the evolving Digital Banking sphere Understanding changing behaviour and switching between alternatives Amicable settlement in grievance handling In search of catering Striving to delight despite evolving customer trends and needs 	<ul style="list-style-type: none"> Environmental and Social (E & S) Management System (ESMS) as a tool to educate on unmanaged E & S risks Make sure well-informed and independent financial decision making is encouraged through transparency Use of digital interface in a user-friendly manner and process simplifications to enhance proximity to formal financial channels Continuous education on digital channels and due diligence Use of market research and adapt to changed behaviour Customer satisfaction centric policies, procedures & code of conduct Strengthening internal control measures, code of conduct and other controls backed by policies, procedures, industry best standards & practices together with adherence to customer due diligence & customer charter Remote and in-person advocacy to close gaps in financial literacy and improve access reach. 	Enhanced virtual media and safe day-to-day dialogue at the branches	R
			Emails via internet banking platform and corporate website and other direct mails and telephone dialogues	R
			Customer surveys and other interactions	WR
			Customer gatherings across branch network	R
			Feedback via Annual Reports	A
			Service quality department with branch network, head office departments and digital space interconnected	WR
			Media advertisements and other forms of communiqué	WR

Stakeholder	Purpose in line with Change	Our Approach	Engagement Mechanism	Frequency
Employees Refer page 38 to 49 for more details	<ul style="list-style-type: none"> Developing a learning culture and need based capacity building Promote diversity and equality Facilitate freedom of association and collective bargaining power Foster ownership through collaborative participation in strategic drives Strengthen grievance handling mechanism Encouraging work-life balance during turbulent times 	<ul style="list-style-type: none"> Feasible self-development programme based on audit trails and performance evaluation criteria Recruit employees from the vicinity without any discrimination Engage employees in strategic planning and idea generation process Mentoring and counselling platform to derive amicable settlement 	Internal and external training programmes and E-learning opportunities	R
			Performance appraisal review discussions	A & BA
			Treatment of all employees impartially and equally	R
			Trade union discussions	WR
			Communication of values through mutually building core values	WR
			Communication with employees including satisfaction surveys, newsletter, and the intranet	R
Suppliers and Business partners Refer page 50 to 55 for more details	<ul style="list-style-type: none"> Commitment and Capacity levels on Environmental and Social risks Ongoing procurement during unprecedented circumstances Discover avenues prevalent for long-term business relationships Identifying an aptitude for Sustainability Encourage use of and proximity to local materials Quality assurance in terms of ESG 	<ul style="list-style-type: none"> Create avenues to promote local supplier relations together with service quality standards Assistance provided to understand environmental and social risks and exercising due diligence with other screening checks, perusal of certification validity and adherence to industry best standards and practices Obtain warranties and after- sales service propositions wherever possible Feasible agreements and MOUs backed collaborations and partnerships with minimal adverse impacts Reviews & re-visits on performance and corrective action Buffer stocks to eliminate continuous supply & time lags 	Procurement policy	R
			Tender invitations	WR
			Registration of suitable suppliers and delivery of quality products and services	WR
			On-site visits and meetings, advertisements, and press releases	R
			Bank product development and approval process	WR
Community Refer page 62 to 66 for more details	<ul style="list-style-type: none"> Bridge vulnerable communities & gaps in financial literacy Unlock potential towards long-term positive impact Foster technical savviness Long-term CSR and other philanthropic engagements 	<ul style="list-style-type: none"> Sponsorships, philanthropy and various other community engagements in support of sustainable development goals Involvements on environmental and social related policy formulations and other engagements Engagements with foreign development finance institutions in terms of attracting funding lines on green and climate finance encounters “Education” and “health” centric CSR initiatives 	One-on-one discussions	WR
			Internet Banking, E-wallet, and various other virtual service delivery interfaces	R
			Environmental and Social Management System across the Bank	R
			Promoting SLBA SBI principles	R
			Targeted investments in projects and community sponsorships	WR

A – Annually BA – Bi-annually Q – Quarterly WR – As and when required R - Regularly

MATERIALITY DRIVING STAKEHOLDER VALUE CREATION

Materiality mapping plays a critical role in Seylan Bank's overall value-creation process. The process of identifying and assessing material topics for reporting has supported the Bank's sustainable value-creation processes over the years. Our focused efforts have enabled the Bank to share information without any omissions or mis-statements which could otherwise distort our communication efforts with our stakeholders.

As means of ensuring well informed decision-making of respective stakeholder at all times, the management of the Bank duly engages with time-bound materiality mapping exercise, whereby every important piece of information is identified to be disclosed fairly, while vetted against transparency and compliance. A new policy namely 'Information Disclosure Policy' was rolled

out, further strengthening the procedures involved herein.

The year under review was an extremely challenging one for Sri Lankan banks. The excessive deterioration of local economic conditions coupled with the trajectory of the global economic slump resulted in creating new and current materials topics that were previously not considered. Thus, the material topics disclosed in this Annual Report are considered formidable mandates which the Bank accepted and for which timely remedial action was implemented by responsibly envisaging potential negative and positive impacts on the economy, environment, and people together with their human rights.

The materiality assessment captures the various emerging factors within the criteria of

'significant impact to various stakeholder concerns' and 'probability of occurrence'. Additionally, stakeholder feedback was received through various engagement platforms, as detailed under pages 12 to 13 and incorporated within our materiality process mapping to align with the Bank's business model.

The table which follows portrays the Bank's holistic management approach to the identification and prioritisation of material topics and how the Bank's business framework caters to and seeks to delight every stakeholder in an equitable manner having converged with Environmental, Social, and Governance (ESG) framework enforced through policies, procedures, guidelines, internal controls, codes of conduct and other relevant guidance.

Stakeholder	Pages	Management Approach	Policies, Procedures, Guidelines, Internal Controls, and Codes of Conduct etc.
Investors	20-25	<ul style="list-style-type: none"> • Creating a sustainable business model • ESG framework and due diligence on environmental and social management • Ensure readiness against unprecedented challenges and changes 	<ul style="list-style-type: none"> • Investor Policy • Insider Trading Policy • Policy on Conflict of Interest
Customers	26-37	<ul style="list-style-type: none"> • Ensure financial literacy and capacity are well connected with independent decision making • Cater to changing buyer behaviour through digitalisation • Due diligence on data security 	<ul style="list-style-type: none"> • Credit Policy Manual • Lending Guidelines • Products and Services Policy
Employees	38-49	<ul style="list-style-type: none"> • Conducive working conditions • Compensation and grievance handling exceeding expectations • Comprehensive human Rights and employee relations 	<ul style="list-style-type: none"> • HR Policies • Code of Conduct
Suppliers	50-55	<ul style="list-style-type: none"> • Sustainable procurement and supplier relationship management • Cost management 	<ul style="list-style-type: none"> • Procurement Policy • Use of best practices for managing business partners
Community	62-66	<ul style="list-style-type: none"> • Sustainable community relations and engagements 	<ul style="list-style-type: none"> • Sustainability Policy
Environment	56-61	<ul style="list-style-type: none"> • ESG framework and due diligence on environmental and social management • Participate in various capacity-building programmes of the government and non-governmental organisations 	<ul style="list-style-type: none"> • ESMS • Sustainability Policy • SLBA SBI • Patron membership with BDSL • Member of the Global Sustainable Finance Network

Bank’s internal and external materiality index for 2022

Materiality/Significance		Topic	GRI Standard (GRI)	Reported	Triple Bottom Line Impact On	Details on page no(s)
Overall Bank	Stakeholder Connected					
High	High	Economic performance	201-1,3,4	Yes		25, 176, 186, 250, 65
		Market presence	202-1,2		EC	71
		Anti-corruption	205-1,2			88
		Employment	401-1,2,3			43, 44, 46, 47
		Labour/management relations	402-1			46
		Occupational health and safety	403-1			40
		Training & Education	404-1,2			44
		Diversity and equal opportunity	405-1,2			41, 71, 47
		Non-discrimination	406-1			13, 46
		Freedom of association & collective bargaining power	407-1		SO	-
		Child labour	408-1			-
		Customer health and safety	416-1			33
		Marketing & labelling	417-3			33
		Customer privacy	418-1			32-33
		Compliance with Laws and Regulations	G2-27			66
Medium	High	Indirect economic impact	203-1,2	EC	62-66	
		Local communities	413-1	SO	62-66	
		Procurement practices	204-1	EC	52	
		Anti-competitive behaviour	206-1		66	
Medium	Medium	Energy	302-1,4		72, -	
		Water	303-1	EN	60	
		Environmental compliance	G2 - 27		66	
		Forced or compulsory labour	409-1	SO	-	
Low	Medium	Security practices	410-1		46	
		Effluent and waste	306-2		61	
		Materials	301		72	
		Bio-diversity	304	EN	61	
		Emissions	305		-	
Low	Low	Supplier environment assessment	308	Marginal or No	-	
		Rights of indigenous people	411		-	
		Human rights assessments	G2 - 23	SO	66, 86, 156	
		Supplier social assessment	414		51	
		Public policy	415		66	

EN – Environmental SO – Social EC – Economic

ECONOMIC OVERVIEW

Effective Economic Exit Strategy into the Post-COVID Era in the Global Economy.

The global COVID-19 pandemic has had severe negative impacts on the world economy. To contain the spread of the virus, many countries shut down their economies by halting the movement of people and goods in early 2020, leading to about one-third of the world's population experiencing constrained life conditions due to these lockdowns. Consequently, the world economy contracted significantly. To calm financial markets and avoid a possible free fall into an economic depression, many countries, especially Advanced Economies (AEs), mobilised policy resources.

A key global challenge appears to be finding an effective economic exit strategy into the post-COVID era. The road the USA will take will have overarching repercussions on the global economy, given the pivotal role of the US dollar as the anchor of the global financial system. The first possibility is that the US government could delay implementing needed macro-economic adjustments while continuing to run lax monetary and expansionary fiscal policies. This choice may bring about short-term resilience to the US economy but will more likely come with growing exposure to the risk of a future global crisis, possibly worse than the 2008–2011 crisis. Alternatively, the administration could adopt a two-pronged policy of re-allocating the fiscal efforts first, while aiming at reaching a primary surplus over time. Specifically, it could retrench from reduce expenditures oriented toward COVID-related challenges, and move toward expenses with a high social payoff (upgrading K-12 education, investing in medical infrastructures, etc.). With a lag, The restructured fiscal policy, together with a rise in tax collection, may reduce primary budget deficits, aiming to reach surpluses, albeit with a lag.

With the COVID-19 outbreak, some industries were seriously affected; Travel and Tourism unarguably being one of those industries. As the world is slowly moving towards a recovery stage, Travel and Tourism is lagging in the recovery process, mainly because of people's perception of safety and a more cautious approach towards buying products that are not essential for survival.

Another industry affected by the COVID-19 outbreak was the Food and Beverage industry. The disruptions associated with the food and beverage industry arose from many sources in the supply chain, including customers, suppliers at different tiers, internal production processes and distribution and storage, as well as external environments etc.

The global COVID-19 pandemic has had severe negative impacts on the world economy and key global challenge now is finding an effective economic exit strategy into the post-COVID era.

Global Economy

The Global Growth or the growth in Gross Domestic Product (GDP) slowed down from 6.0 percent in 2021 to 3.2 percent in 2022. Global growth prospects have weakened significantly amid the war in Ukraine which has triggered a costly humanitarian crises that demands a peaceful resolution. The Russia's invasion of Ukraine and its effects on commodity markets, supply chains, inflation and financial conditions have steepened the slowdown in global growth.

The downgrades in growth prospects are broad-based. Growth in the United States was 2 percent in 2022 due to high inflationary pressures, aggressive monetary tightening by the Federal Reserve and a strong US dollar, which is weighing on net exports. In China, GDP is only 3

percent in 2022, with stringent zero COVID-19 policies adversely affecting growth prospects. Meanwhile, the GDP of the European Union in 2022 3.7 percent.

The economic prospects for the Commonwealth of Independent States are also sharply downgraded. The Russian Federation's economy has contracted by about 10 percent in 2022. Amid massive destruction of infrastructure, population displacement and disruption of economic activities, the Ukrainian economy is projected to contract by 30- 50 percent in 2022.

The growth prospects of developing countries also deteriorated by June 2022, with GDP projected to increase by 4.1 percent in 2022, 0.4 percentage points lower than the forecast in January 2022. Higher energy and food prices, rising inflationary pressures and slowing growth in the United States, the European Union and China have weakened their growth prospects. The monetary tightening in the United States will sharply increase their borrowing costs. A growing number of developing countries including several least developed countries, face stagnant growth prospects and rising risks to sustainable development, amid high levels of debt distress. The negative outlook is compounded by worsening food insecurity, especially in Africa and Western Asia.

Global inflation has risen from 4.7 percent in 2021 to 8.8 percent in 2022. Global economic activities are experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than that witnessed in several decades.

The war in Ukraine at the same time has added to inflation other than slow growth. Fuel and food prices have increased rapidly, hitting vulnerable populations in low-income countries the hardest. War-induced commodity

price increases and broadening price pressures have led to 2022 inflation projections of 5.7 percent in advanced economies and 8.7 percent in emerging market and developing economies; 1.8 and 2.8 percentage points higher than projected last January.

Multilateral efforts to respond to the humanitarian challenges prevent further economic fragmentation, maintain global liquidity, manage debt distress, tackle climate change, and end the pandemic are essential.

The economic outlook depends on a successful calibration of monetary and fiscal policies, the course of the war in Ukraine and growth prospects in China. Risks remain unusually large. US dollar's appreciation, tightening global financing could trigger emerging market debt distress and a worsening of property sector crisis could affect growth. Policymakers should focus on restoring price stability and alleviating cost-of-living pressures. Policy tightening are taking a heavy toll on economic prospects.

Global inflation is forecast to rise from 4.7 percent in 2021 to 6.5 percent in 2023 and to 4.1 percent by 2024. Monetary policy should stay the course to restore price stability, and fiscal policy should aim to alleviate the cost-of-living pressures while maintaining a sufficiently tight stance aligned with monetary policy.

Structural reforms can further support the fight against inflation by improving productivity and easing supply constraints, while multilateral cooperation is necessary for fast-tracking the green energy transition and preventing fragmentation.

The cost-of-living crisis, tightening financial conditions in most regions and the lingering COVID-19 pandemic will all weigh heavily on the outlook.

The global economy refers to the inter-connected worldwide economic activities that take place between multiple countries. These economic activities can have either a positive or negative impact on the countries involved. Factors affecting global economy are natural resources, infrastructure, population, labour, human capital, technology and law.

Currently the Global Economy is facing High Inflation and Slow Growth at the same time.

Sri Lankan Economy

The Sri Lankan economy, which faced extreme uncertainties and volatilities during the first half of 2022, has shown signs of stability in the second half of the year helped by the policy decisions taken to steer the economy to transition towards a path of stable and sustainable growth over the medium term.

Due to spillover effects of the unprecedented economic challenges felt across several sectors owing to fuel shortages, power outages, widespread scarcity of key imported raw materials and other essentials and the soaring cost of production among other factors, the real economy fell into a contraction during the first half of 2022.

However, the five main factors that led to the soaring of Sri Lanka's economic downturn were; the drop-in tourism due to the pandemic induced travel bans, ban of chemical fertilizer to transition to organic farming, mounting foreign debt, shrinking foreign reserves and the high dependence on imports.

The Gross Domestic Production (GDP) of Sri Lanka has contracted over the period till end 2022 approximately by 12 percent.

As per the GDP estimates published by the Department of Census and Statistics (DCS), the real economy is estimated to have contracted in 2022, on a year-on-year basis, impacted by tighter monetary and fiscal conditions, along with the continuation of supply-side constraints and uncertainty surrounding the business environment amidst shortages of foreign exchange in the domestic foreign exchange market, among others.

However, a recovery in economic activity is expected in 2023 with the envisaged improvements in the supply-side, along with the timely implementation of the required reforms and the Gross Domestic Production (GDP) of Sri Lanka which is expected to improve in 2023.

Sri Lanka's 2023 budget aims to put the economy back on track. Sri Lanka will set up a logistics development programme to improve exports, imports and investment into the island to boost trade. The proposals are aimed at raising government revenue and boost investor confidence. Sri Lanka plans to spend 1.5 million US dollars to promote Ceylon Tea in Europe and the US, while exploring opportunities to get the Ceylon Tea trade mark into the readymade beverages market.

The inflation rate in Sri Lanka shows a steady rise and historically high levels since the beginning of the year have hollowed out household purchasing power. This anomalous rise in inflation stemmed from domestic and global supply side disruptions, the undertaking of long overdue adjustments in administrative prices, the sharp depreciation of the Sri Lanka rupee against the USD.

Colombo Consumer Price Index (CCPI) based headline inflation recorded at 69.8% on year-on-year basis in September 2022. Headline inflation, as measured by the year-on-year (Y-o-Y) change in the Colombo Consumer Price Index (CCPI, 2013=100) increased

ECONOMIC OVERVIEW

to 69.8% in September 2022 from 64.3% in August 2022. However, the CCPI based Inflation recorded subsequently in 2022 i.e. in October (66 percent), November (61 percent) and December 2022 (57.2 percent) shows a downwards trend.

The inflation, as measured by the year-on-year (Y-o-Y) change in the National Consumer Price Index (NCPI, 2013=100) which followed an increasing trend since October 2021, declined to 70.6% in October 2022 from 73.7% in September 2022. Similarly, the food inflation (Y-o-Y) decreased to 80.9% in October 2022 from 85.8% in September 2022, while non-food inflation (Y-o-Y) decreased to 61.3% in October 2022 from 62.8% in September 2022. The NCPI based inflation recorded subsequently in 2022 i.e. in, November (65 percent) and December 2022 (59 percent) shows a downwards trend.

With due consideration to these challenging circumstances, the Government announced a standstill on external debt servicing on account of bilateral and commercial loans for an interim period commencing from 12 April 2022. In the period thereafter, with the intention of helping the economy to transit to a stable and more sustainable footing, the Government embarked on a reform programme through the introduction of a slew of measures to increase both tax and non-tax revenue, while continuing its drive to further rationalise expenditure through the curtailment of non-urgent capital expenditure and recurrent expenditure. Considering the progress that has been made thus far in relation to the International Monetary Fund – Extended Fund Facility (IMF-EFF) program and debt restructuring negotiations, and the reforms that have already been undertaken and those that are to be implemented in the period ahead, the economy is expected to transition onto the path to recovery from the latter part of 2023.

The Sri Lankan economy, which faced extreme uncertainties and volatilities during the first half of 2022, has shown signs of stability in the second half of the year and the economy is expected to transition onto the path to recovery from the latter part of 2023.

The main economic sectors of the country are tourism, tea export, apparel, textile, rice production and other agricultural products. In addition to these economic sectors, overseas employment contributes highly to foreign exchange. All these sectors are currently facing numerous challenges, but seen a gradual recovery.

Banking Sector in Sri Lanka

Sri Lankan banks were dealing with devalued currency, inflationary pressures and continued asset-quality pressure in 2022. Sri Lankan banks also face added asset-quality pressure from their foreign currency denominated bonds.

Banks are working on raising long-term debt with a view to meet Foreign Currency liquidity requirements and to support local currency lending demand at concessionary rates for specific economic sectors, but they are increasingly facing difficulties.

The attractiveness of the banking sector will depend on IMF assistance and what sort of restructuring mechanism will be offered to bond-holders. All banks are trading on the Colombo Stock Exchange at a steep discount to their book value. The earnings for the banking sector are limited in 2022 compared to previous years.

The Economic Research Department of Central Bank of Sri Lanka is of view that “considering the progress that has been made thus far in relation to the IMF-EFF programme and debt restructuring negotiations, the reforms that have already been undertaken and those that are to be implemented in the period ahead, the economy is expected to transition onto the path to recovery from the latter part of 2023”, and they believe such recovery would have a direct positive impact on the Banking sector.

Banking Sector Highlights in 2022 are as follows:

- Slow down in assets growth including credit growth
- Credit quality measured in terms of stage 3 to total loans ratio continued to deteriorate
- Investments in Government Securities increased
- Deposits increased mainly due to increase in Time Deposits
- Borrowings further declined
- Liquidity ratios were maintained above the minimum requirements
- Banking Sector profitability decreased

Banks' credit quality continued to deteriorate. Accordingly the banks have maintained additional provisions based on the assessment of significant increase in credit risk and by stress-testing the exposures to risk elevated sectors and facilities which have been continuously under moratorium and stressed portfolios. This has been done to address the potential implications of the stressed portfolios of the economy.

With the outbreak of the COVID-19 pandemic, the Central Bank of Sri Lanka (CBSL) introduced several

concessionary schemes since March 2020, to assist affected borrowers. Such concessions included concessionary debt moratoria, loan restructuring/rescheduling, suspension of recovery actions, low-cost working capital loans and waivers of fees and charges for certain banking transactions. These concessions were provided to individuals including private sector employees and small and medium enterprises (SMEs) and other businesses engaged in tourism, transportation, manufacturing, services, agriculture, construction, apparel, IT, and related logistic services. In the meantime, CBSL has required the licensed banks to set up post COVID-19 revival units in licensed banks to identify and assist under-performing and non-performing borrowers affected by the pandemic for the purpose of reviving viable businesses with the potential of contributing to the national economic growth, thereby facilitating the unwinding of moratoria in a sustainable manner considering the current macro-economic challenges and the requests made by several stakeholders. These concessions are provided on a case-by-case basis depending on the future repayment capacity of the individuals and the viability of businesses/ projects.

Banks have accounted for an additional Expected Credit Loss (ECL) on International Sovereign Bonds of Sri Lanka considering the impact on interim policy regarding the servicing of Sri Lanka's external public debts issued by Ministry of Finance of the Government of Sri Lanka.

Despite the economic challenges faced the bank's relentless pursuit in digital transformation in all areas of business helped to offset certain adverse impacts from inflation and currency depreciation etc. The enhanced focus on this area in turn helped the sector to partly offset the potential impacts coming from the rising attrition levels seen in 2022. Automation drive in many ways helped the sector to reduce and replace the human involvement in certain processes although, it cannot eliminate the human involvement completely.

Sri Lankan banks were dealing with devalued currency and facing inflationary pressures and continued asset-quality pressure in 2022. The sector hopes to regularise with the recovery of the economy which is expected to commence towards the latter part of 2023.

INVESTOR RESILIENCE WITH FINANCIAL STABILITY

The Bank, aims at upholding an economically viable and environmentally and socially resilient business model as a means of improving financial and non-financial performance. The financial and non-financial disclosures provided herewith narrate our story on how we performed during the challenging year of 2022 and the future strategies we hope to embark on, thus keeping our investors well-informed for better decision making.

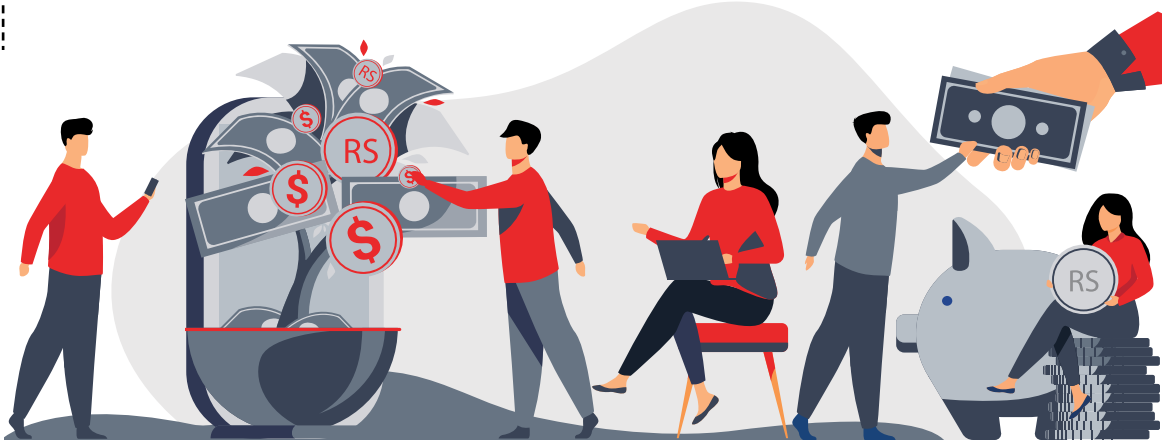
Our Approach to Create Enduring Value

Staying focused on creating enduring value to its stakeholders, the Bank aims at achieving the optimal outcome and maintaining transparency in terms of the Bank's performance and its readiness for future challenges.

Given the nature of its business, the Bank prudently manages a series of risks while being adequately capitalised. Staying vigilant towards the factors connected therein, the Management assesses the business growth, opportunities and challenges and recommends strategies to enhance business performance and growth.

More importantly, policies, procedures, guidelines and codes of conduct are reviewed and amended against local and global standards and industry best practices as appropriate with a view to be in line with the industry while creating enduring value to all our stakeholders including our investors.

Seylan Bank is committed to delivering economic value to all its stakeholders. As such, our core activities are structured and managed to create economic prosperity through value addition.



LKR 6.6 Bn

PBT

10% ↑

LKR 673 Bn

Total Assets

11% ↑

LKR 547 Bn

Total Deposits

12% ↑

LKR 490 Bn

Gross Loans & Advances

5% ↑

Income Statement Analysis

Net interest income and Net Interest Margin

The Bank's Net Interest Income recorded an impressive year on year (YOY) growth of 72% during the period under review compared to 21% reported in 2021. Both the Interest Income and Interest Expenses reflected a growth of 84%

and 96% respectively in year 2022, compared to the decline of 8% and 27% reported in 2021. Mainly due to the increase in market rates, and faster re-pricing of the loan book rather than the deposit base, the overall interest income for the year recorded an increase of LKR 39 Bn to reach LKR 86 Bn compared to

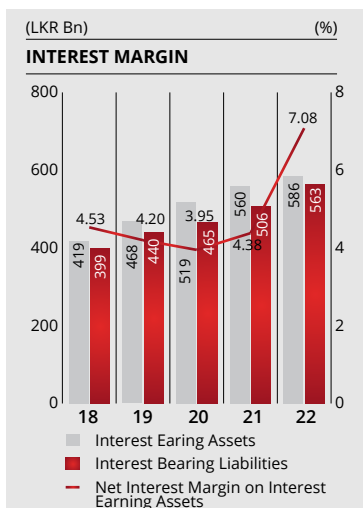
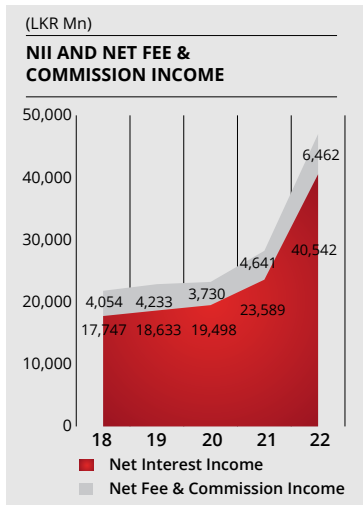
LKR 47 Bn recorded in 2021 and overall interest expenses for the year recorded an increase of LKR 22 Bn to reach LKR 46 Bn compared to LKR 23 Bn recorded in 2021.

The Net Interest Margin (on Average Interest Earning Assets)

stood at 7.08% in 2022 compared to 4.38% recorded in 2021 and was mainly driven by the policy rate changes and re-pricing of assets and liabilities accordingly. The Net Interest Margin (on Average Total Assets) stood at 6.33% (2021 - 4.05%)

Net Fee and Commission Income

Net fee and commission income has shown a notable growth of 39% to LKR 6 Bn from a growth of 24% to LKR 5 Bn reported in the previous year. This is mainly attributable to fee income from cards, trade & remittances and other financial services which was an area of focus for the Bank.



Other Income and Total Operating Income

Net Gains/(Loss) from Trading

The Bank's net gains/(loss) from trading reported a loss of

LKR 0.4 Bn, an increase of 104% over the loss reported in the previous year. The mark-to-market loss of trading derivative financial instruments have increased during the year under review compared to the previous year due to interest rate volatility and currency depreciation. However, the realised net gains of those transactions are reported as "Foreign Exchange Income" under "Net Other Operating Income" (refer Note 12.1 for details).

Net Gains from De-Recognition of Financial Assets

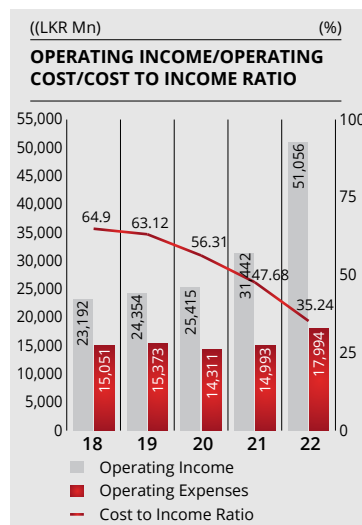
Net gains from de-recognition of financial assets reported a decrease of 94% to LKR 0.03 Bn compared to LKR 0.6 Bn reported in the previous year primarily due to the reduction in capital gains realised during the year under review, since the fair value of the financial assets dropped significantly under the increased interest rates scenario.

Other Operating Income

Net Other Operating Income of the Bank amounting to LKR 4.5 Bn for 2022 reported an increase over the previous year by 55%. This growth is mainly from net foreign exchange gains.

Total Operating Income

The Total Operating income grew by 62% to LKR 51 Bn in 2022 compared to LKR 31 Bn in the previous year driven mainly by growth in Net Interest Income, Net Fee and Commission Income and Foreign Exchange Income.



Impairment Charges

The Bank increased the impairment provision to capture the impact on emerging global and local economic challenges and the credit risk profile of the customers and continuously assesses the credit quality of the Bank's loan portfolio in order to ensure adequate provisions are recognised in the financial statements. The credit quality of the Individually Significant Loans was critically evaluated and appropriate provisions were made, regardless of the fact that those customers were within the debt moratorium. Moreover, adequate provisions were also made under the Collective Impairment category to capture the impact of sluggish economic conditions prevalent in 2022 while considering the extended debt moratoria till the end of the year under review. The Bank maintains provisions made as management overlay, based on the assessment of significant increases in credit risk, and by stress-testing the exposures to risk elevated sectors, and facilities which have been continuously under moratorium to address the potential implications and the stress that could occur. Further the Bank has accounted for an additional Expected Credit Loss (ECL) on International Sovereign Bonds and Sri Lanka Development Bonds in the Financial Statements considering the impact on Interim policy regarding the servicing of Sri Lanka's external public debts issued by the Ministry of Finance of Government of Sri Lanka.

The Bank recorded an impairment charge of LKR 26 Bn against LKR 10 Bn reported in 2021 with a growth of 154%. Impairment charge on Loans & Advances recorded LKR 21 Bn with a 139% increase over the previous year mainly due to the factors described above and the same being seriously considered in the impairment assessment.

Out of the total impairment charge of LKR 26 Bn, 81% (LKR 21 Bn) reflects the impairment charge on Loans & Advances. Stage-wise

INVESTOR RESILIENCE WITH FINANCIAL STABILITY

impairment charge on Loans and Advances reflects LKR 3 Bn, LKR 4 Bn and LKR 14 Bn for Stage 1, Stage 2 and Stage 3, with a growth of 141%, 290% and 112% respectively. Impairment on Individually Significant Loans, Collective Loans, Management Overlay were separately assessed during the year under review.

Impairment charge on Financial Assets Measured at Amortised Cost – Debt and Other Instruments have been recorded as LKR 5 Bn, a significant increase over the previous year (LKR 0.42 Bn) mainly due to the Expected Credit Loss (ECL) recorded on foreign currency denominated bonds.

Personnel Expenses, Establishment Expenses, Total Operating Expenses and Cost to Income Ratio Personnel Expenses

The Bank's Personnel Expenses increased by 15% to LKR 8 Bn during the year under review compared to the previous year mainly due to increase in the staff benefits based on the collective agreement, new promotions, recruitments etc.

Establishment and Other Expenses

Establishment and other expenses increased from LKR 6 Bn in 2021 to LKR 7 Bn in 2022 mainly due to the increase in prices of purchases and services as a result of higher inflation and local currency depreciation. However, the Bank will continue to adopt cost containment measures and strategies to manage the costs to the best extent possible.

Total Operating Expenses and Cost to Income Ratio

The Bank's total operating expenses increased by 17% to LKR 15 Bn during the period under review compared to LKR 13 Bn recorded in previous year.

Moreover, the Bank's Cost to Income Ratio excluding tax

recorded a significant drop and stood at 29.81% at the end of 2022 compared to 41.53% in the previous financial year mainly due to increase in revenue. The Cost to Income Ratio including taxes remained at 35.24% in 2022 recording a reduction compared to 47.68% of the previous year despite the increase in taxes (VAT on Financial Services and Social Security Contribution Levy) due to increase in revenue at a higher rate.

Taxation

The Bank's Value Added Tax on Financial Services increased by 37% amounting to LKR 2.6 Bn compared to LKR 2 Bn recorded in the previous year due to increase in the rate from 15% to 18% and increase in operating income. Further, the Social Security Contribution Levy (SSCL) imposed with effect from 01 October 2022 at the rate of 2.5% on the value addition liable for Value Added Tax on Financial Services and the charge for the period is LKR 127 Mn.

The Bank's Income Tax Expense reported a growth of 32% to LKR 1.9 Bn in 2022 compared to LKR 1.4 Bn reported in 2021. The Corporate Tax Rate was revised from 24% to 30% and the provisions were recorded accordingly. The Bank's effective tax rate (excluding deferred tax) was 85% in 2022 whereas in 2021 it was 32%.

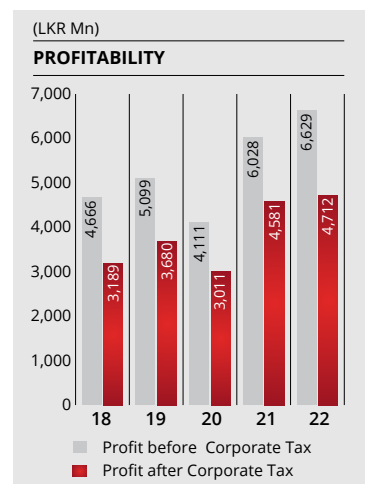
The Bank recorded a Deferred Tax accordingly at 30% marking an increase over the previous year rate of 24%. Further, the Bank made a surcharge tax of LKR 1.2 Bn during 2022 to debit of its Retained Earning as per the Statement of Alternative Treatment (SoAT) issued by CA Sri Lanka on 22 April 2022.

Profitability

The Bank recorded a Profit before Tax (PBT) of LKR 6.6 Bn for the period under review with a 10% growth over the previous year while recording a Profit after Tax (PAT) of LKR 4.7 Bn for the year with a 3% growth over the previous year.

The Bank's Net Interest Income (LKR 41 Bn), Net Fee and Commission Income (LKR 6 Bn) and Other Income (LKR 4 Bn) were the main contributors for the Bank's profitability, while the higher impairment charge (LKR 26 Bn) impacted heavily on the profitability. The Personnel Expenses (LKR 8 Bn) and the Establishment and Other Expenses (LKR 7 Bn) recorded an increase over the year reflecting the increase in cost of services obtained and purchases made by the Bank.

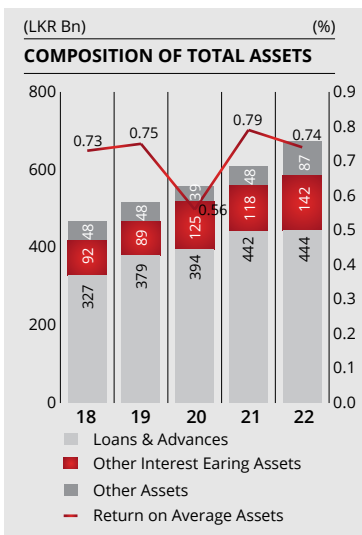
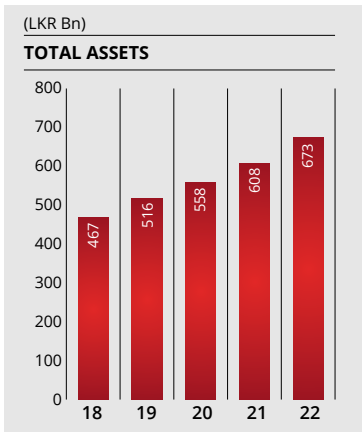
The Bank has accounted for an additional Expected Credit Loss (ECL) on Financial Investments Measured at Amortised Cost - Debt and Other instruments and if not accounted for, the Bank's PBT would have been LKR 10.5 Bn.



Statement of Financial Position

Total Assets

The Bank's total assets recorded a growth of 11% reaching LKR 673 Bn compared to LKR 608 Bn recorded in the previous year. The growth in the assets comprises increase in Investments in Government Securities, Balances with Central Bank and balances with foreign banks etc., demonstrating the sustained growth of the Bank over the years.

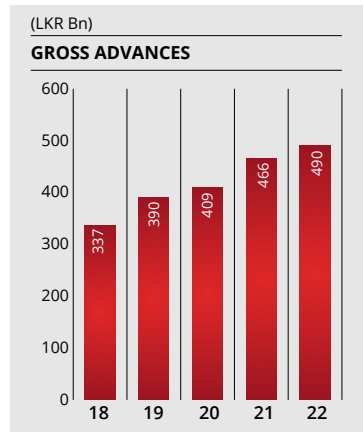


Loans and Advances

The industry experienced a sluggish credit growth due to economic challenges, moratorium, post Covid impact, significant changes in policy rates and accordingly, the Bank also recorded a marginal Loan Growth of 0.5% (net loans) in 2022 to LKR 444 Bn including the impact from local currency depreciation in 2022. The Gross Loans reflected a growth of 5% in 2022 to LKR 490 Bn including the impact from local currency depreciation. If excluded, the impact from currency depreciation in 2022, the Loans and Advances would have reflected a marginal decline of 2%.

The Bank curtailed its lending as appropriate especially to non-essential sectors and risk-elevated sectors while prioritising lending to certain sectors such as Exports in order to support the prioritised sectors as an ongoing initiative.

The Bank's Asset Quality was a challenge in 2022 as well and the Bank continued to have stringent control mechanisms such as tightened loan approval and disbursement process, continuous monitoring and strengthened recovery process etc., to manage the asset quality.



Deposits and CASA

The Bank through external and internal campaigns promotes its deposit products including Current Accounts and Savings Accounts (CASA) to grow the business.

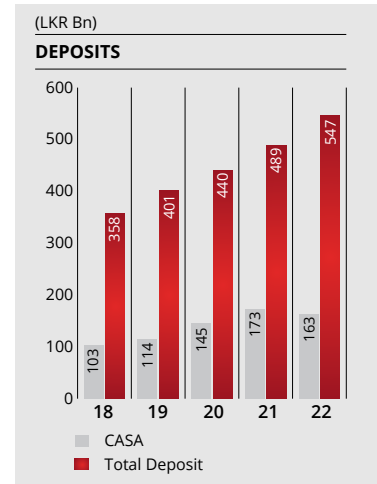
The Bank's overall Deposit Base increased by 12% to LKR 547Bn, including the impact from local currency depreciation. If excluded, the impact from currency depreciation in 2022, the deposits would have grown by 1% to LKR 493 Bn. The Bank's LKR Deposits reported a growth of 4%.

The Bank's Time Deposits reported a growth of 22% to LKR 383 Bn. CASA migration to Time Deposits also happened during the year which is expected in a high interest rate scenario prevailing in the market.

It was a challenge to grow the deposits in the prevailing highly competitive market mainly due to the significant changes in interest rates.

The Bank's CASA base contracted from LKR 173 Bn to LKR 163 Bn in 2022 which is a 6% decline from the previous year. The CASA ratio stood at 29.8 % in 2022 compared

to 35.4% of the previous year.



Financial Indicators and Ratios Capital Adequacy Ratio

Under the prevailing stressed situation with unprecedented changes in the macro-economic conditions such as local currency depreciation, significant change in policy rates etc., it has become a challenge to maintain the Bank's capital requirements in general and the Bank has taken many measures to maintain the capital ratios above the statutory requirements. Re-classification of debt portfolio as per the Statement of Alternative Treatment (SoAT) issued by CA Sri Lanka, curtailing the Bank's lending as appropriate especially to non-essential sectors and risk-elevated sectors and the initiatives taken to improve capital efficient asset etc. contributed positively on the ratios.

Seylan Bank remained soundly capitalised, with the key capital adequacy ratios maintained above the regulatory minimum requirements and recorded 10.69% as total Tier 1 capital ratio and 13.59% as the total capital ratio.

The Capital Adequacy Ratios have come down compared to the previous year mainly due to the reduction in capital by debenture discount and deferred tax asset accounted in 2022 on Foreign Currency Denominated Bonds and the increase in Risk Weighted Assets (RWA) by 2%. (Please refer page 151 and 152 for details on RWA)

INVESTOR RESILIENCE WITH FINANCIAL STABILITY

	CBSL Requirement	2022	2021
Total Risk Weighted Assets (LKR Mn)	N/A	467,105	457,466
Common Equity Tier 1 Capital Ratio (%)	7.00	10.69	10.72
Total Tier 1 Capital Ratio (%)	8.50	10.69	10.72
Total Capital Ratio (%)	12.50	13.59	14.11

Statutory Liquid Asset Ratio (SLAR) and Liquidity Coverage Ratio (LCR)

The Bank has taken several measures such as being selective in lending, accelerated deposit mobilisations etc. to enhance the liquidity position.

The Bank maintained the SLAR well above the statutory requirement, during the year under review. The Statutory Liquid Asset Ratio (SLAR) for the Overall Bank, Bank's Domestic Banking Unit and the Bank's Foreign Currency Banking Unit were maintained at 25.51%, 25.16% and 25.02% respectively as at December 2022.

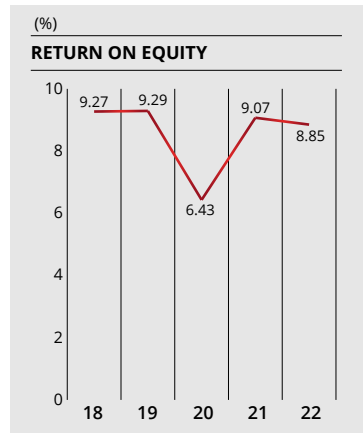
The Bank also maintained the LCR above the statutory requirement and the All Currency LCR Ratio and the Rupee LCR Ratio were maintained at 175.1% and 280.14% respectively.

	CBSL Requirement	2022	2021
Statutory Liquid Asset Ratio (SLAR)			
Overall Bank (%)	20%	25.51	22.97
Domestic Banking Unit Operations (%)	20%	25.16	22.84
Foreign Currency Banking Unit Operations (%)	20%	25.02	23.3
Liquidity Coverage Ratio (LCR)			
All Currency (%)	90% *	175.1	132.7
Rupee (%)	90% *	280.14	163.02

* 2021 100%

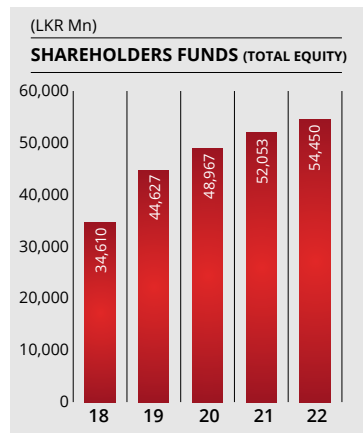
Return on Equity (ROE) and Return on Average Assets (ROAA)

The Return on Equity (ROE) stood at 8.85% for the year under review compared to 9.07% recorded in 2021.

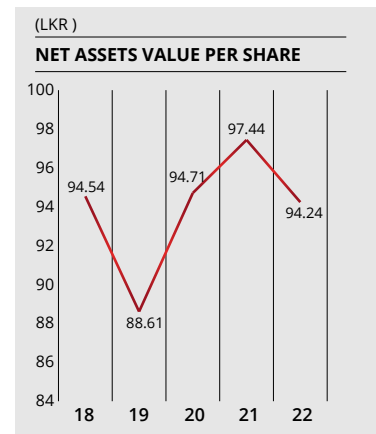


Earnings per Share (EPS) and Net Assets Value per Share

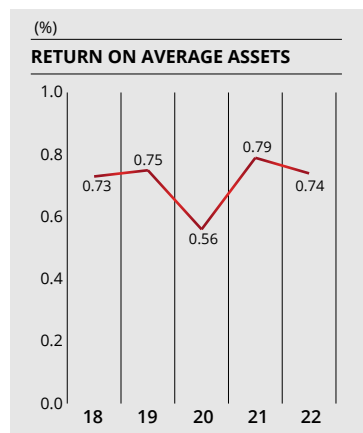
The Bank's Earnings per Share stood at LKR 8.16 as at end of 2022 compared to LKR 7.93 reported as at the end of the previous year.



The Bank's Net Assets Value per Share stood at LKR 94.24 as at the end of 2022 (Group LKR 97.27) compared to LKR 97.44 reported as at the previous year end (Group 101.01).



The Return on Average Assets (net of tax) recorded as 0.74% for the year under review compared to 0.79% recorded in 2021.



Returns to Shareholders and Investors

The Bank rewards stakeholders to the best of its ability while maintaining consistency in creating long term value.

Value Added Statement

Value Allocation to Employees	44%	Allocations FY 2022 Total Value Addition (LKR Mn) 18,311	Salaries, Wages and other Benefits (LKR Mn.)	7,964
To the Government	26%		Income Tax, VAT& SSCL on Financial Services and Crop Insurance Levy (LKR Mn)	4,737
To Shareholders	6%		Dividends (LKR Mn.)	1,156
Expansion and Growth	24%		Retained Earnings, Depreciation and Amortisation (LKR Mn)	4,454

Distribution of Shareholding

Year	Classification	Description	No of Shares	%
2022	Type	Voting	282,704,760	48.93
		Non-voting	295,071,313	51.07
	Geographic	Resident	559,630,829	99.44
		Non-resident	18,145,244	0.56
	Demographic	Institutional	465,638,283	90.65
		Individual	112,137,790	9.35
2021	Type	Voting	264,267,493	49.5
		Non-voting	269,923,190	50.5
	Geographic	Resident	517,889,896	96.9
		Non-resident	16,300,787	3.1
	Demographic	Institutional	428,771,501	80.3
		Individual	105,419,182	19.7

Value Creation for Our Stakeholders

In	Depection	Year				
		2022	2021	2020	2019	2018
LKR. Mn.	Turnover	96,818	54,767	57,224	61,370	54,873
	Profit before income tax	6,629	6,028	4,111	5,099	4,666
	Profit after income tax	4,712	4,581	3,011	3,680	3,189
	Total assets	672,806	607,577	557,707	516,294	466,933
	Net Assets Value per Share	94.24	97.44	94.71	88.61	94.54
LKR.	Earnings per share	8.16	7.93	5.64	6.89	5.97
	Dividend per share	2	3	1.5	2	2.5

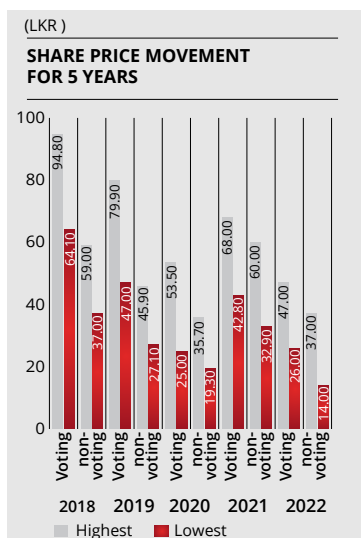
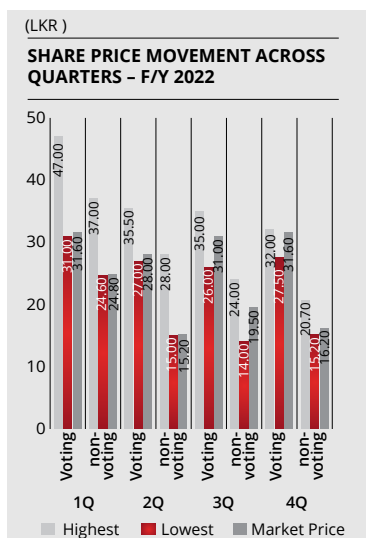
Dividend Payout

The Bank creates value for its shareholders through its Dividend Policy. Consequently to improve market capitalisation while taking into consideration the requirement of profit retention the Bank aims to build the organic Capital which in return safeguards shareholders’ interests in the long run.

Future Outlook

- During the prevailing economic challenges, we are in sync with the waves of change always adapting and evolving by focusing on transitioning to create enduring value to our stakeholders.
- We remain focused on strengthening our balance sheet while managing risk and maintaining Liquidity and Capital.
- The Bank will invest selectively to be in line with the CBSL Directions, in new technology, digitalization and process efficiencies to build a future – ready bank, thus creating sustainable value for all stakeholders.
- The Bank will continue to focus on operational efficiency and service quality, while strengthening its strategic initiatives and adhering to regulatory requirements.

More information on the Bank’s Strategies, Key Initiatives etc. are discussed under “Business Unit Performance” of this Annual Report (pages 67 to 70).



Financial Reporting and Compliance

The Bank’s financial position and performance reported in the Annual and Interim Reports are the primary media used to keep our shareholders and the general public informed in order to aid their well-informed financial decision making. Publishing of our Annual Report and Interim Reports before the stipulated dates as required by the Colombo Stock Exchange (CSE) is complied with.

The Interim Financial Statements for 2022 were published in advance in this regard. Refer page 32 for Awards and Recognition.

SEAMLESS CUSTOMER SERVICE

ACHIEVEMENTS 2022

- 12% growth in deposits was achieved despite challenges and paid LKR 33.2 Bn as interest
- Over 20% increase in worker remittances portfolio
- Customers access 215 ATMs, 94 CDKs, and 70 CDMs across the country
- Named the Best in Service in the Banking sector by LMD for the 4th consecutive year
- Was listed as one of the Top 20 Most Valuable Brands in the country by LMD
- Awarded Silver at SLIM DIGIS 2.2 (2022) for #ResponsibleMe in the Best Digital Marketing Campaign in the CSR category
- Awarded Bronze at SLIM DIGIS 2.2 (2022) for #ResponsibleMe in the category of Best Use of Branded Content
- Awarded Bronze at SLIM DIGIS 2.2 (2022) for National Day Initiative took place in 2021

Seylan Bank is committed to the financial well-being of every customer by taking into consideration of their ability to spend, save and invest safely and wisely.

The Bank's focus on meeting customer needs remains central to our business model, facilitating our value-creation and strategy development processes. We will continue to leverage our banking services to support our customer growth and success toward optimal financial management in these turbulent and uncertain times.



9.3%
Growth in Cheque deposit kiosks

3 Awards and 2 Recognitions overarching our delivery and service excellence

Over **70%** YoY growth in payroll accounts

Revamped Internet Banking for greater Customer Experience in Digital Space

Management Approach

The Bank takes a customer-centric approach with a service-driven culture to enable sustainable growth and create value throughout our business journey. We invest strategically in adequate resources to cater to the diverse needs and wants of our customers, while our decision-making process critically analyses complex consumer behaviours and spending and purchase patterns, choices and voices.

In line with our commitment to customer satisfaction, we provide a personalised customer experience by leveraging the advantages of both physical and digital customer touchpoints for superior banking experiences. Our continued efforts to enhance our digital banking experiences together with modernising our branch operations are aimed at offering our diverse customer groups their preferred choices when banking with Seylan. In our customer mystery shopper

survey, an overall score of 80.66 was achieved against the previous year's score of 80.05 which proved the consistency and scope for development.

Implementing Strategies to Support Customers' Financial Needs

The year under review was highly challenging from a financial perspective. The depreciation of the Sri Lankan rupee, steep inflation across all fronts, rapidly

rising interest rates and the deterioration of the forex reserves contributed to a loss of liquidity, a rise in prices and the need for more stringent financial management by businesses and individuals. This situation impacted every one of the Bank's customers in various ways. Corporate segment faced

restrictions in the availability of foreign exchange to conduct normal business operations. The SME sector faced liquidity issues and retail customers had difficulty in loan repayment and loss of purchasing power.

Accordingly, Seylan Bank's approach to creating customer value during the year under review was mainly focused on supporting our customers to manage their financial needs with rising costs and deteriorating spending power.

Product policy

To meet and exceed customer expectations in a non-exploitative manner that embodies the optimum levels of clarity and transparency.

MATERIAL TOPICS COVERED



Inclusive finance



Continuous value addition



Financial Literacy



Technology Adoption for Customer Convenience

Material Topics, Focus Areas and How We Performed

SUPPORTING CUSTOMERS TO MANAGE THEIR FINANCIAL NEEDS	
Focus Area	How We Performed
Supporting SMEs to continue business operations	<ul style="list-style-type: none"> Partnership with the ADB Tea Scheme for Smallholders to support refinancing needs Partnered with the CBSL and the Ministry of Finance to offer low-interest loans to customers operating in the Agri sector Supported SME customers by sharing knowledge on best practices and financial management Conducted several webinars for the SME sector in partnership with the National Chamber of Exporters Partnered with the IFC to conduct webinars on how to the SME sector can overcome challenges post-COVID-19 We established a Post-COVID-19 rehabilitation centre where our SME customers were given support and guidance to settle their outstanding loans
Managing Forex inflows and outflows	<ul style="list-style-type: none"> Worked with export customers to help generate forex inflows Prioritised financial needs to of customers importing essential goods such as medical supplies and food supplies Supported manufacturing sector customers to look for locally produced raw materials and provided leads of components producers from our customer base to reduce forex outflows Prioritised local purchases of raw materials required by our manufacturing sector customers Promoted worker remittances in prospective markets and continue to offered convenient facilities to migrant workers

SEAMLESS CUSTOMER SERVICE

TECHNOLOGY ADOPTION FOR CUSTOMER CONVENIENCE	
Focus Area	How We Performed
Service Enhancements	<ul style="list-style-type: none"> • Focused on driving operations of the Bank's 13 SME hubs located in our branches to support SME customers to receive loans faster after initial application • Introduced the "Speed Drive" option on Leasing, targeting diverse segment of clients who are in need of short term working capital financing and short term funding for purchasing of vehicles • Relationship officers assisted account holders in the Current & Savings Champions Club to assist the accounts at their doorstep
Customer Reach	<ul style="list-style-type: none"> • Over 6000 Business Account relationships • "Seylan Accelerate" to capture significant number of new relations of salary account relationships during the year
Enhancing online tools to communicate and reach customers	<ul style="list-style-type: none"> • 40 branches have been operationalised with the robotics process automation (RPA) to date • Mobile Banking facelift completed
Implementing and improving digital banking facilities	<ul style="list-style-type: none"> • Launched the SeylanPay App for easy and hassle-free payments using QR codes • Allowing the Digital Banking services works to cover service level agreements, delivery, and enhancing customer experience and improving customer uptake • Increase in corporate customers with online banking facilities • New merchant relationships to avail customers onboard with cashless transactions • Growth in new SMS Banking customers




Worker Remittance

Fostering migrant workers by offering hassle-free and easy transfer of worker remittance has always been a key service offered by the Bank. During the year under review, the Bank increased the focus on encouraging worker remittances through formal fund transfer channels to support the restoration of the foreign exchange transactions. The Bank's proactive promotion of worker remittance facilities in potential markets, by implementing various initiatives as detailed below.








- Expansion of remittance facilities in the European region through strategic tie-ups for economic and real-time 24x7x365 transfers.
- Special promotion in collaboration with Western Union offering an incentive of a gift when routing remittances via Seylan Bank during the promotional period.
- A delegation of the Bank's representatives visited Saudi Arabia, Kuwait and the UAE to strengthen business relationships with existing agents and Sri Lankan embassy officials.
- Carried out a business promotion with a partner bank in Saudi Arabia with the objective of promoting App-based remittances and encouraging the use of legitimate channels for remittances.
- Joined with "Lanka Remit", the National Remittance Mobile Application launched by Lanka Clear Limited, to connect and provide customers with various remittance-related services such as direct access to existing remittance channels, the choice of several convenient locations for transfers and transfer tracking facilities.




Product Portfolio

Deposit Products	Description	Value Delivered	Markets Served
 Seylan Mega Rewards Rewards for precious moments in life	Offers definite benefits for personal savings, current accounts, personal foreign currency savings and foreign currency fixed deposits	Interest and reward benefits	Individuals aged above 18 years
 Seylan Tikiri	Accounts for little ones	Interest, rewards, gifts and bonus interest benefits	Children below 15 years of age
 Seylan Harasara	Financial solutions for senior citizens	Interest, reward, benefits, merchant discounts and pension loans	Senior citizens aged above 55 years
 Seylan Money Market Savings Account	Short-term savings account with higher interest rate	Interest benefits	Corporate, individual clients and collection accounts of institutions
 Millennium 30	30-day fixed deposit	Interest benefits	Corporate, SME, retail and individual clients
 Seylan Flexi Deposit	Allows depositor to select the time period of the fixed deposit	Interest benefits, flexibility	Corporate, SME, retail and individual clients
 Seylan Shakthi	4-year fixed deposit	Interest and reward benefits (in addition to interest, eligible for utility payment vouchers)	Retail clients
 Seylan 5 Star	5-year fixed deposit	Interest and reward benefits (in addition to interest, customers are eligible for utility payment vouchers)	Retail clients
 Seylfie	Youth account	Rupee interest, digital interest and reward benefits	Youth aged between 18-26 years
 Seylan myplan	Savings account with monthly fixed saving commitment	Interest benefits	SMEs, business clients and individuals
 Income Saver Account	Savings account for monthly regular income earners	Interest and reward benefits	Individuals who earn a regular monthly income
 Seylan RED	Priority Banking Membership	A dedicated Relationship Manager along with concierge service and an array of dynamic benefits	High net worth individuals

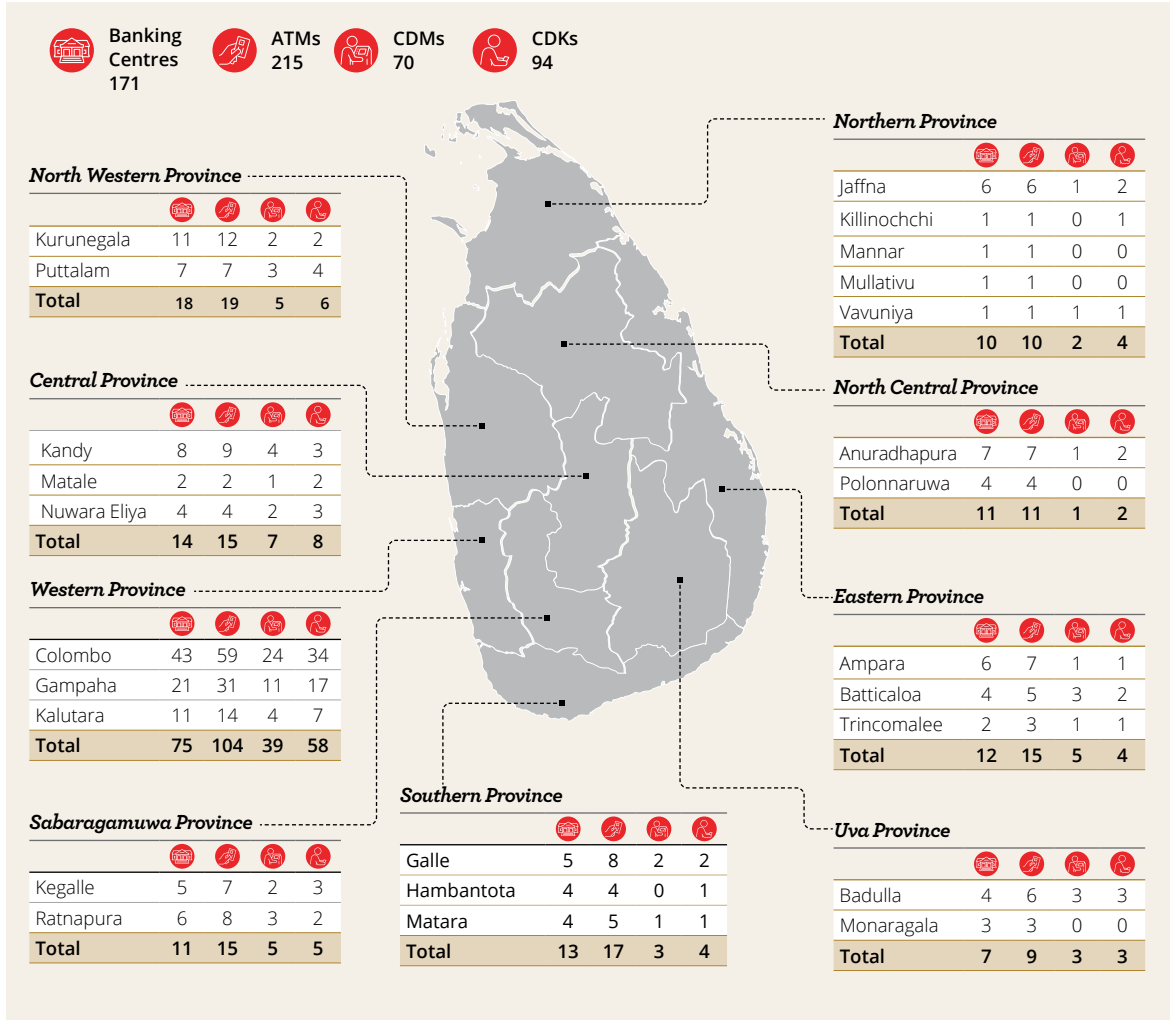
Lending Products	Description	Value Delivered	Markets Served
 Seylan Home Loans	Home loans up to LKR 100 Mn to purchase a bare land, purchase, construct or renovate a house or to purchase a condominium apartment	Fixed interest rates, documentation support and advisory with doorstep service	Primarily salaried individuals, professionals and businessmen
 Seylan Loan Against Property	Loans made available against your residential property to upgrade your lifestyle, grow your business or for investments	Fixed interest rates and doorstep service	Salaried Individuals drawing a monthly fixed income over LKR 50,000 with residential property under their name
 Seylan Leasing	Finance leases for vehicles, motorcycles, machinery, plant and equipment	Fixed interest rates with a flexible repayment structure and approval within a day	Corporate, SME, retail and individual clients

SEAMLESS CUSTOMER SERVICE

Lending Products	Description	Value Delivered	Markets Served
 Seylan Personal Loans	Personal loan for any related purpose	Fixed interest rates, doorstep service	Salaried individuals employed at reputed companies, professionals, government servants and armed forces
 Seylan SME	Specialised loan scheme for SME sector	Interest benefits	SME clients
 Seylan Scholar Loans	Unique higher education loan scheme	Fixed interest with a longer repayment tenure	Individual clients
 Seylan Credit Cards	Visa, Master credit cards	Interest benefits, rewards and merchant discounts	Individual clients
 Trade Finance	Imports and exports	Commission and interest benefits	Corporate, SME, retail and individual clients
 Seylan Factoring	Provides working capital requirements against trade receivables	Generates working capital	Corporate, SME, retail and individual clients
 Seylan Gold Loans	Instant short-term loan facility against gold articles	Interest benefits	Proprietors of business concerns and individuals

Other Offerings	Description	Value Delivered	Markets Served
 Seylan eBanking	Able to carry out a variety of banking functions at their convenience by the click of a button	Low charges and 24x7x365 accessibility	Corporate, SME, retail and individual clients and credit cardholders
 SEY Cash	Bank's remittances platform	Commission benefits	Individual clients
 SMS Banking	Opportunity to carry out selected banking functions via SMS	Free up to a number of SMSs and convenience	Corporate, SME, retail and individual clients and credit cardholders
Overdrafts	Overdraft facilities for personal and corporate current account holders	Interest benefits	Corporate, SME, retail and individual clients
Loan Scheme for Pensioners	Specialised banking service for pensioners up to a maximum loan amount of LKR 2.5 Mn	Fixed interest rates	Government pensioners
Safety Lockers	Allows customers to keep their valuable assets safely	Safety of assets	Corporate, SME, retail and individual clients
Palmtop Banking	On-board customers remotely and collection of cash	Convenience	Existing customers

Our Geographical Presence



Improved Customer Experience via Digitalisation

The Bank continues to digitalise our internal and customer-facing operations to align with current trends and consumer demands.

As proven, technology has supported the enhancement of banking operations over the years by increasing convenience and enabling the delivery of superior customer services. Accordingly, the Bank remains committed to our digitalisation efforts in both our internal and customer-facing operations. This strategy also supports the Bank to create value in line with consumer demands

while remaining relevant in an increasingly online and technology-oriented operating environment.

Over the last few years, the Bank has increasingly focused on analytics, artificial intelligence (AI), robot advisors and blockchain technologies to optimise operations and increase service excellence and delivery while reaching customers to meet their expectations.

The value-added services enabled through technology and deployed by the Bank have supported increased customer reach and improved customer relationships over the years. To further strengthen our customer-centric services, the Bank implemented

services listed below during the year under review.

- Limited interruption of banking services due to the adoption of technology to complete everyday banking services
- Improved Mobile App offering added banking operations and an increasingly user-friendly platform.
- Consolidation of digital banking operations for current and savings accounts with credit card centre operations for seamless digital banking processes for improved customer experience.

SEAMLESS CUSTOMER SERVICE

- Automation of the customer onboarding process using robotic process automation in April 2022. Deployed across 40 branches with the highest account opening volumes.

Seylan RED

The private banking service we introduced in 2020 has proven highly successful in building and managing customer relationships efficiently. We have seen particular success with our Priority Banking Membership program at our Cinnamon Gardens RED center and we are now expanding this to other important branches. As a result, Seylan RED counters have been successfully set up at nine key branches.

Supporting Disadvantaged Customers

The Bank values and respects every one of our customers and treats them similarly at every point of contact, whether physical or virtual. As such, the Bank ensures all our branches are designed to offer wheelchair access and easy navigation. We also train our employees to greet and speak with all customers in the same manner, while serving them from the heart. Our employees are also trained to pay attention to customers who require additional assistance and guide them through the banking process they wish to complete while paying due attention and care to the special needs personnel, whenever they rely upon our services.

The Bank operates on the premise of responsibility towards the well-being of customers through

informed financial decision-making that is never compromised by physical conditions.

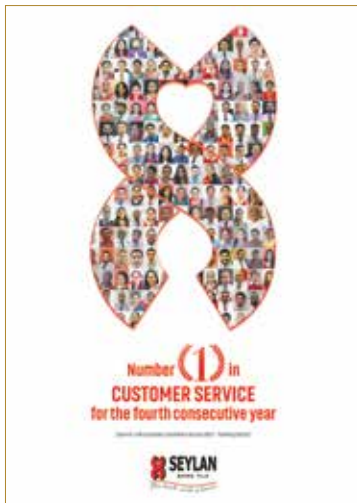
Grievance Management

The Bank has implemented a grievance-handling mechanism aligned with the industry's best practices and to offer exemplary service standards. The grievance handling policy and processes are well-defined and details are given for handling the process from the point of complaint to escalation across different authority levels until settlements are amicably reached. Every customer is allowed to speak to the financial ombudsman if required and all necessary details are made available at our delivery points for easy customer reference.

Product Labelling and Marketing Communications

The Bank's Product Development Committee is responsible for governing all products and services including the review and approval of product designs and features before new products or rejuvenated products are launched. The Bank uses a trilingual mode of communication in spoken and written to ensure our communications are easily understandable by our diverse customer base. Much emphasis is placed on disclosing comprehensive and accurate information to customers about our products and services. The Bank also publishes information about products and services on our corporate website in Sinhala, Tamil and English. We are bound by business ethics and fair-trade policies and our advertisements do not carry information that is not true.

Recognised for Service Excellence



Ranked number one for Customer Service Excellence in the banking sector by the LMD for the fourth consecutive year.



Only Sri Lankan Brand to have recognised on 'Social Responsibility' category for '#responsibileme' campaign



Digi Award - Bronze - Best Digital Marketing Campaign



Digi Award - Bronze - Best Use of Branded Content



Digi Award - Bronze - Digital Brand Bravery Award

Customer Privacy

As a licensed commercial bank, Seylan Bank is committed to and is liable for, refraining from any breach of customer information. We handle customer information with utmost care and confidentiality. Due attention is given to protecting sensitive customer data, especially when

dealing with digitalised service. The Bank has in place robust internal controls and codes of conduct to ensure customer privacy while the most up-to-date data security measures are used in our systems.

Sale of Banned or Disputed Products

The Bank does not offer products or services which are banned or disputed in the market or subject to a stakeholder or public debate. We operate in strict compliance with the edicts of the Central Bank of Sri Lanka Customer Charter. Our products and services are highly regularised and duly registered and free of misleading information.

Compliance

Incidents of non-compliance with rules and regulations or code of ethics in product/service labelling	None
Incidents of breaching customer privacy or loss of data	None
Incidents of non-compliance concerning market communication	None
Incidents of non-compliance concerning the health and safety of the Bank's products and services	None
Incidents of non-compliance with social and economic related laws	None

The Bank operates within an all-encompassing ESG Framework where policies, processes, operations, activities, products, and services are subject to applicable industry, social and environmental laws and regulations. The Bank accords the highest importance to compliance responsibilities to ensure compliance with the rules of various regulatory authorities. Regular internal and external audits are conducted across each business unit, branch and support function to ensure complete compliance with all relevant standards, rules and regulations.

Future Outlook

The coming years will remain challenging for the banking industry. The continuing impact of the economic downturn will challenge the financial landscape of the country. To continue to operate sustainably in such a challenging environment and to create value for our customers, the Bank will have to pursue efforts that are cost-effective and viable to meet customers' banking needs. As such, digital and online banking will remain a critical success factor as digital channels will enable transactions to flow seamlessly while linking physical branches with virtual banking channels. The Bank will focus on leveraging cloud technology to create a more inclusive and uninterrupted digital future for the Bank and our customers. Furthermore, data security and customer privacy will continue to be a priority as we continually strengthen data and cyber security controls for a safe digital environment.

Customer retention could be a challenge faced in the short term as SMEs and individuals are financially challenged during these hard times. Thus, the Bank will focus on managing our various customer segments and their needs in the best possible way in this constrained but recovering financial environment by leveraging our good relationships and customer loyalty shown over the years. We will support our corporate clients and SMEs to revive and be independent in the current economic context while supporting personal banking customers to make smart financial decisions and investments. Accordingly, we will encourage customers to convert towards a more digital banking environment and adopt digitalisation as the norm with a suitably phased-out plan.

The Bank will deploy adequate resources continuously to maintain customer service excellence and convenience together with the use of emerging technology and trending digital tools accordingly.

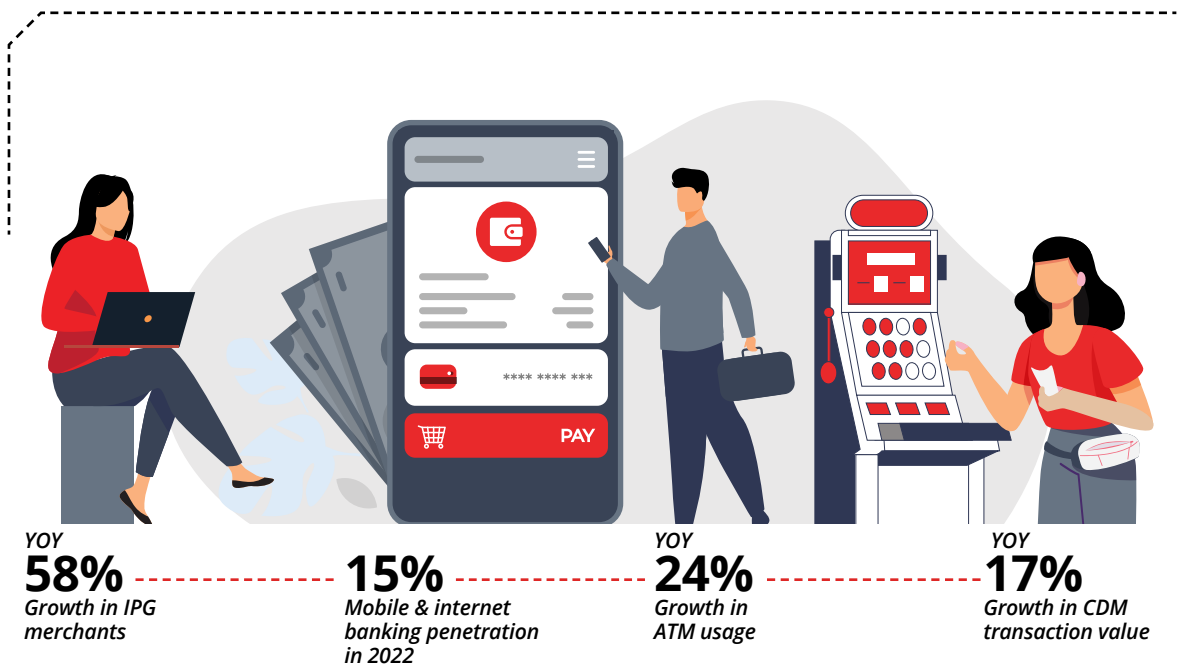
STEP IN TO OUR DIGITAL FUTURE

ACHIEVEMENTS 2022

- Launch of new state-of-the-art Mobile Banking App
- 70% growth in Corporate Internet Banking users
- A 89% turnover growth was observed on Seylan Merchant Portal and the Internet Payment Gateway in comparison to 2021
- SeylanPay - QR payment App was relaunched with new features
- Mobile and Internet Banking penetration rose to nearly 15% with sizable number of new customers on-boarding in 2022
- Over 23% growth in customers opting for the e-statement facility
- A 36% growth in customers enrolling to SMS Transaction alert services

Digitally sound systems and processes to connect customers and recognise the digital readiness.

Digitalisation continues to grow and remains a critical success factor with increasing use across various business functions. Similarly, the digital banking landscape has also steadily converged and created a lasting impact on the way the Bank conducts business operations and reaches stakeholders. Today's banking customers expect a digital presence that will allow contactless banking options. Bank remains strong and steady in improving our digital presence across channels and platforms, continually aligning technology adoption and digitalisation to meet emerging trends and customer expectations.



Management Approach

Seylan Bank's primary aim is to leverage technology to provide higher levels of personalised and seamless banking experiences by empowering today's customers to engage in various day-to-day banking operations independently. Much of our digital banking measures support the enhancement of

customer-centricity. We do this by closely monitoring the changing technology by adopting new technologies and digital systems in an appropriate and timely manner.

We also utilise technology and digitalisation to streamline processes and systems, ease the burden of routine tasks and empower employees. These

indirectly support our goals towards increased customer convenience and superior experience. The Bank takes the approach of fulfilling our digitalisation goals by meeting customers' expectations.

Digital upgrades, adoption of emerging technologies and overall

digitalisation efforts within the Bank's operating environment are aligned with international standards and the Digital Road Map developed and implemented by the Bank, in line with guidelines issued by the Central Bank of Sri Lanka.

During the year under review, the Bank's digitalisation efforts took a two-pronged approach, – implementing technology and digital systems for internal efficiencies and customer-facing operations which have contributed in the achievement of service

excellence, improved convenience and greater efficiencies across operations.

MATERIAL TOPICS COVERED



Expanding the digital footprint



Information technology enhancement and adoption



Cost containment



Communication on social media



Operational efficiencies driven by technology

ENHANCEMENT OF SUSTAINABLE DIGITALISATION PRACTICES

Focus Area	How We Performed
Increase customer on-boarding via digital channels.	<ul style="list-style-type: none"> Successfully increased online on-boarding of new customers by 32% (YOY).
Increase customer adoption of digital and online banking services.	<ul style="list-style-type: none"> Released a Mobile Banking App with an improved UI/UX with intuitive functionalities to allow customers to operate the App and perform banking transactions with ease without visiting the Bank. Improved security with biometric integration for secure access without the need to enter usernames and passwords at every login. The launch of the SeylanPay App at the end of 2022 targeting both Seylan customers and non-Seylan customers to enhance the portfolio and enrich the customer experience through a multitude of promotions and loyalty schemes. The introduction of the Payment Service Providers (PSP) to attract small and medium-sized businesses to register for our Seylan Merchant Portal and the Internet Payment Gateway increased transaction volumes.
Expand conventional digital banking channels	<ul style="list-style-type: none"> The conventional digital banking channel achieved growth in the form of ATM and CDM usage increasing by double digits. Improved revenues compared to the previous financial year, a significant value due to increased tourist arrivals and the relaxation of the general restriction on movements.
Introduce open API banking functions	<ul style="list-style-type: none"> The Bank on-boarded several FinTechs and Telcos through the introduction of the Open API Banking services. This supported customers/partners/merchants to interact with banking/financial services securely, efficiently and conveniently Enables easy and hassle-free integration of Seylan's banking services into customer's organisational eco-systems.

KEY IT ENHANCEMENTS

Focus Area	How We Performed
IT upgrades facilitating convenience	<ul style="list-style-type: none"> Launch of state-of-the-art ATM, CDM and CDK solutions to make the systems more user-friendly and offer convenient solutions for both customers and employees.
Adoption of new technology and systems	<ul style="list-style-type: none"> The Bank has begun the journey to on-board customers digitally through eKYC platform from the convenience of their homes or anywhere they choose to be, leading to reduced back-office functions and improved green banking operations and paper savings.
Technology for effective regulatory compliance	<ul style="list-style-type: none"> The first Bank in Sri Lanka to implement Go AML for use in regulatory reporting purposes. Implemented the ITRS - Forex Transaction Reporting System for digital reporting to the CBSL.

STEP IN TO OUR DIGITAL FUTURE

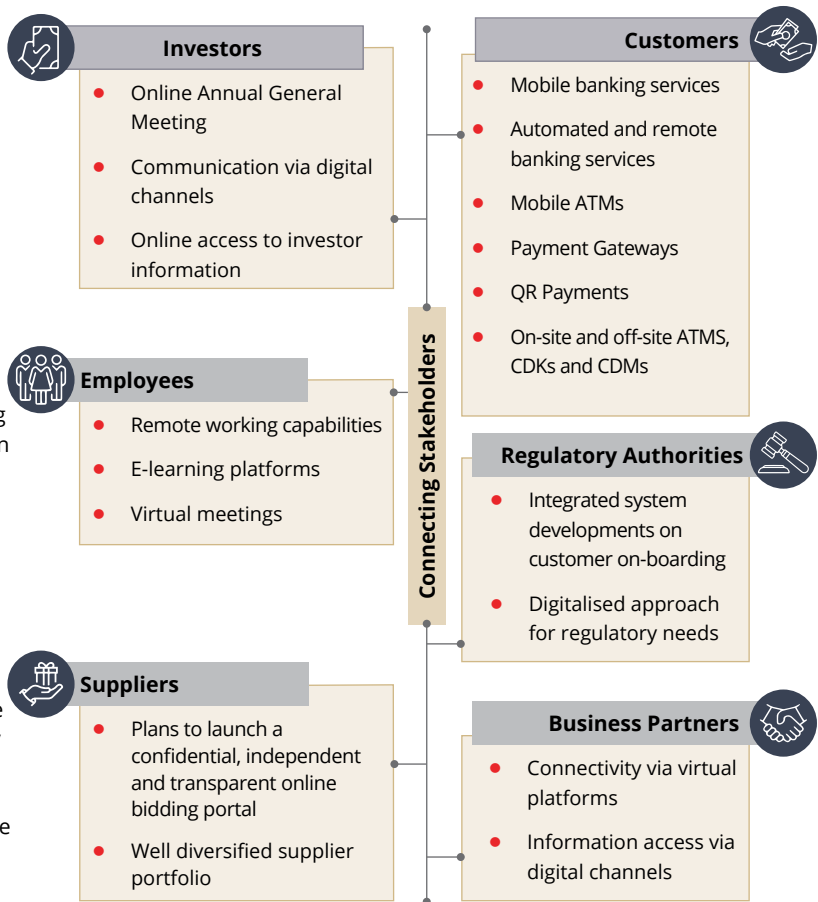
COMMUNICATION VIA SOCIAL MEDIA	
Focus Area	How We Performed
Increase social media footprint	<ul style="list-style-type: none"> • YouTube followers grew by 34.3% (YOY) • LinkedIn followers grew by 22.1% (YOY) • Instagram followers grew by 9.3% (YOY) • Facebook followers grew by 3.6% (YOY)
USE TECHNOLOGY TO INCREASE OPERATIONAL EFFICIENCIES	
Increased focus on data analytics	<ul style="list-style-type: none"> • Instilled a data-driven culture for improved decision-making by using advanced analytics to generate insights across all business units.
Adoption of AI-driven systems and processes	<ul style="list-style-type: none"> • Implemented a RPA account opening system across 40 branches which: • Reduced employee time spent on this task by 20-30 minutes, • Supported enhanced efficiency and accuracy of the process, and • Improved the quality of customer information maintained by the Bank, due to verification authorised via an OTP and other security features.

Connecting Stakeholders and Creating Integrated Value

A primary objective of the Bank's digitalisation strategy is to create value for stakeholders by adopting information technology for various conveniences and increased online and virtual operations. The Bank's technology-related investments have over time been an enabler in achieving the Bank's financial goals while streamlining operations, improving efficiencies and reducing costs in challenging times to sustain stakeholder value-creation efforts.

Through these initiatives, the Bank has created a digital platform that enhances customer experience, incorporates stringent security and privacy measures and improves efficiencies in operations. These digitalised platforms supported the Bank to ensure business continuity and deliver uninterrupted banking services during unprecedented developments and challenges in the operating environment during the last few years.

The diagram below visually depicts how Seylan Bank endeavours to use technology to create linkages and connect our different stakeholder groups to achieve cohesive value creation across all operations.

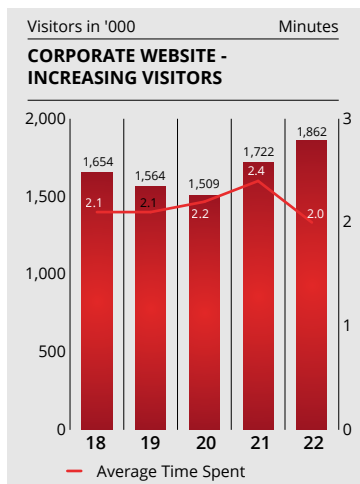


Effective Stakeholder Communications

Being present across multiple digital communication channels has enabled Seylan Bank to communicate effectively and efficiently with all our stakeholder groups by disseminating accurate and timely information as and when needed.



When serving customers these digital platforms are utilised to enhance service levels and response times. These platforms are also used for sharing knowledge and information with employees, business partners, customers and regulatory agencies.



Managing IT Security and Data Privacy

As technology advances and digitalisation levels increase, IT security and data privacy become two serious concerns to both the implementor and the user. As part of the Bank's continual efforts to enhance IT security measures and controls to manage emerging risks more comprehensively, during the year under review, we continued to incorporate the most relevant and latest IT security features and information security enhancements to our systems, platforms and processes. As required, we also undertook infrastructure upgrades to further strengthen the system.

Adding to our commitment to IT security and to protect the virtual safety and security of our customers, systems and processes from cyber threats, the Bank applies global best practices within our digitalisation strategy and utilises state-of-the-art security systems that are regularly monitored and upgraded. We also subscribe to several national and international IT security and data protection accreditations that support us to remain watchful about new threats and concerns.

Sustaining Digital Compliance Requirements

Seylan Bank is mandated to comply with several compliance requirements across various aspects of technology usage according to the Central Bank of Sri Lanka (CBSL). As we continue with our digital journey, the Bank will remain committed to maintaining and improving all necessary compliance measures by undertaking regular reviews to identify gaps or areas of improvement.

	Facebook	LinkedIn	Twitter	Instagram
2022	757,696	40,684	7,182	23,399
2021	731,615	33,314	6,924	21,400
2020	667,839	20,839	4,457	16,390
2019	634,870	12,586	4,044	15,012
2018	622,201	7,857	3,901	12,700

Future Outlook

Digitalisation and information technology adoption will remain priorities for the Bank in the years ahead. The Bank will continue to excel in seamless digital banking services by utilising technologies that are rapidly gaining popularity such as AI for automation and capitalising on machine learning advantages. Substantial investments in digital security and data privacy remain a top-list items in the years to come.

Upgrading server infrastructure for greater capacity and incorporating the newest technology for secure access will be an area of emphasis in the coming year. We will also expand and upgrade several systems and platforms for better performance and greater efficiencies.

Data analytics will be an area the Bank will focus on at a higher level. AI coupled with the latest data analytics tools are expected to bring in greater efficacy in technology adoption and use while enabling accurate decision-making and offering comprehensive customer servicing benefits.

In the forthcoming financial year, digital banking services will be further consolidated with higher levels of value-added services and thereby increasing fee-generating opportunities. Channel improvements and upgrades together with strategic use of social media and other digital communication tools will drive the Bank's marketing efforts to increase revenue generation and attract new customers, especially individuals belonging to Gen Z individuals who are tech-savvy and are attracted to online services and virtual interactions.

In the long run, the Bank aims to unlock an experience in digital transformation through an actionable digital plan which will work well with every customer regardless of their tech saviness and support the Bank's operations and interaction with other stakeholders.

EMPOWERING EMPLOYEES

ACHIEVEMENTS 2022

- 385 New Recruitments
- 331 Promotions
- 139,888 Training Hours
- 19 New Graduates from Lean Six Sigma Projects
- Champions of Inter Bank Trade Finance Competition
- Champions / 1st and 2nd runner up of Inter Bank Sports Events

Our employees are the heart of the Bank, collectively pursuing goals to support our value creation process

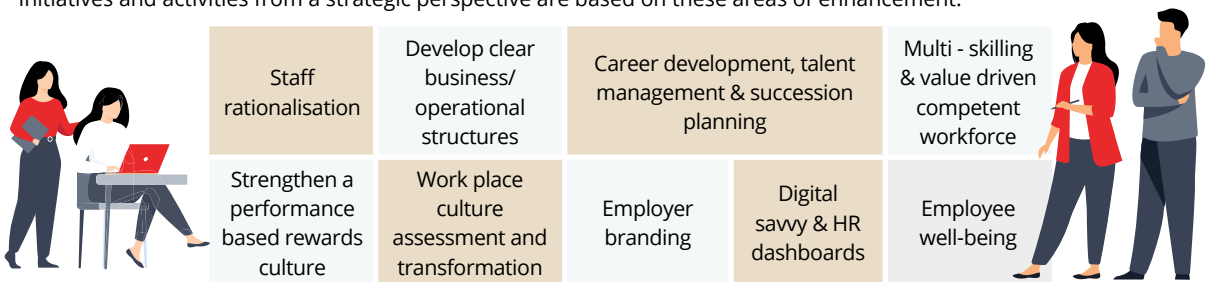
Seylan Bank's business is ultimately dependent on the customer experience and the quality and value of services we offer to our customers in creating a great experience. Customer experience is driven by the Bank's employees who bring their collective capabilities and expertise to the table and follow through to action. The Bank's success is therefore dependent on our employees who work towards effectively achieving the Bank's strategic objectives. Accordingly, the Bank considers the needs of our employees and delivers maximum value to create a positive workplace culture leading to sustainable stakeholder value creation in the long term.



3,156 Staff strength **55% : 45%** Male Female ratio **139,888** Total training hours **331** Total promotions **385** New recruitments

Management Approach

Seylan Bank takes a comprehensive view of human resource management. Consequently we have implemented an approach where nine strategic pillars are focused on to add and create value for our employees. The Bank's HR initiatives and activities from a strategic perspective are based on these areas of enhancement.



During the year under review, the Bank focused on workplace culture. We also planned HR initiatives around employee well-being considering the impacts of the economic downturn on employees' financial wellness and ensure maintaining work-life balance.

Additionally, the Bank's HR policy is prepared to ensure good governance practices for our human resources. We continue to review and update HR policies to align with changing business operations and changes to the external environment. We also ensure the Bank's policies and procedures are updated and

aligned with the best practices in the industry. The Board Human Resource and Remuneration Committee assists the Board on matters related to employees and assures compliance with statutory requirements, human rights and other recommendations for maintaining good relations with employees.

Social Policy

We are committed to encourage our employees to enhance their skills, map out their careers and grow both personally and professionally. The key to our success and competitive advantage lies in our pursuit of excellence through the continuous improvement of our team members.

Material Topics, Focus Areas and How We Performed

TRAINING AND DEVELOPMENT	
Focus Area	How We Performed
Developing the competencies of employees by strengthening the E-learning/virtual learning culture	<ul style="list-style-type: none"> 25,755 Employees participated in internal, external and E-learning training programmes covering 139,888 training hours. The Competency Index stands at 65.92. Conducted 30,235 online training hours.
SAFE AND SECURE WORKPLACE	
Focus Area	How We Performed
Maintaining good health and safety practices	<ul style="list-style-type: none"> Provided all facilities to employees enabling them to 'work from home' effectively. Initiatives for safety of employees such as essential protective gears.
SUPPORTING EMPLOYEES IN CHALLENGING TIMES	
Focus Area	How We Performed
Supporting expense management	<ul style="list-style-type: none"> Introduced a vehicle pooling system during the challenging period. Provided transport facilities at a concessionary rate.
Employee engagement to maintain motivational levels	<ul style="list-style-type: none"> Implemented flexible working arrangements with multiple service options for key job roles in business and operational areas to ensure uninterrupted service delivery to all stakeholders during the economic and political unrest in the country. During the second half of the year, carried out programmes and activities for the transformation of the hybrid mindset of the workforce to regular work norms after the COVID-19 pandemic and lockdowns. Rationalising key performance objectives of employees to focus on key priorities in Banking given the circumstances to manage the operational cost whilst recognising employee welfare and well-being.

Maintain a Culture of Continuous Improvement

The Bank set up an Operational Excellence Programme to train employees in all areas of the Bank using the concept of Lean Six Sigma in 2019. The idea was to create a culture of continuous improvement to support the Bank's value creation process.

Having initiated the Lean Six Sigma training at the Yellow Belt level, at present the Bank has employees certified even at the Green Belt level. The aim of transforming operations into the next level of efficiency has progressed effectively and made a noticeable difference in increasing customer satisfaction levels.

The Bank conducts in-house training and certification overseen by an experienced and certified Lean Six Sigma Master Black Belt trainer.

The second batch of Lean Six Sigma training was conducted in 2022 for 13 participants to qualify for the Green Belt. A total of 65 employees were trained for the Lean Six Sigma

EMPOWERING EMPLOYEES

Yellow Belt. The award ceremony was held in June 2022 where qualified employees were given due recognition.

Employees who receive the certification are empowered with the knowledge and skills of an effective problem-solving methodology focused on eliminating waste and improving the quality of business processes. This knowledge is then cascaded to the Bank's customers through the implementation of efficient processes. Employees who hold the Lean Six Sigma certificate achieve career growth much more effectively.

Adapting HR Policies, Procedures, and Strategy

The Bank continues to ensure HR policies and procedures are aligned with the changes in external environmental developments and changes to employee circumstances. Similar to how we reviewed and revised HR policies regarding health and safety concerns to adapt to the pandemic environment, a review was undertaken during the year to consider the various detrimental impacts weakening macro-economic factors.

Employee Well-Being, Health and Safety

The Bank deployed various employee well-being initiatives to ensure the wellness, adaptability, safety and health of employees, amidst the various challenges faced due to deteriorating economic factors. We continued to focus on health and safety and identified the importance of both physical and mental health to ensure the well-being of our employees in the longer term.

Key initiatives implemented and continued during the year under review.

- Mandatory fire safety measures have been implemented at all our business locations. The Bank's internal security department oversees the

regular maintenance of fire safety equipment and undertakes the monitoring of the fire safety systems. Annual fire drills are conducted to educate and train employees to manage fire emergencies.

- While COVID-19 has been largely eliminated from the community, the Bank continued to implement measures to mitigate any further spread of the virus. All employees were encouraged to wear face masks inside and outside office premises and instructed to utilise hand sanitisers as necessary.
- The Bank ensured employees had received at least two doses of the COVID-19 vaccination.
- The Bank facilitated the services of a full-time nurse at all our premises and ensure employees have access to medical officers on request.

"Occupational Health and Safety (OHS) processes and systems are built into the Bank's integrated sustainability framework ensuring the highest standards of occupational health and safety practices are adopted across our operations."

	2022	2021
Staff covered by health plan %	100%	100%
No. of occupational injuries	Nil	Nil
No. of occupational diseases	Nil	Nil
No. of lost days	Nil	Nil

Home Gardening to Supplement Income

The Bank executed an interesting initiative aimed at enabling employees to manage the costs of living by taking on home cultivation. The project was aptly named, "Suhada Hadin Apith Wawamu", to grow with a good heart and aims at encouraging and teaching employees the basics of growing vegetables and fruit in their home gardens, thereby empowering them.

The Seylan Staff Welfare Association partnered with the Department of Agriculture on this project to share knowledge. The Department of Agriculture played a crucial role in advising on the selection of plant seeds for cultivation in limited spaces, such as apartments and housing complexes and to gain short-term yields to support the daily vegetable consumption of a household.

Empowering, Engaging and Motivating Employees

Our employees are a critical success factor for the Bank, enabling us to move forward despite changes in the operating environment. This reasoning was more than adequately proven during the pandemic period and the year under review, where employees gave their best service to the Bank amid the unpredictable macro-economic challenges.

However, such an unpredictable operating environment and prevailing challenges can negatively impact employee engagement and motivation as they become concerned with external factors resulting in stress and exhaustion. As such, during the year under review, the Bank implemented several strategies and strengthened sources that support better employee engagement and high levels of motivation.

The Bank continued to ensure adequate and timely information to our employees using various communications media including

emails, the internet, circulars and employee notice boards. We shared information on key developments and changes within our business operations and the operating environment. The Bank also continued to encourage employees to actively utilise our open-door policy to ask questions or get any concerns clarified. The Bank's whistle-blowing procedure and grievances handling mechanism were also strengthened and we

continued conducting employee surveys to better understand employees' material concerns and implement measures to resolve them.

Considering the economic downturn and the shortage of daily essentials as well as the rising cost of living, the Bank endeavoured to reduce inconveniences to our employees

by allowing flexibility for employees to attend to household and family responsibilities while balancing work commitments. With relevant approvals and as much as practical, employees were also given the option to work from home or opt for flexible working hours.

Other engagement and motivational initiatives were also implemented throughout the year.

Town Hall Meetings
<ul style="list-style-type: none"> Two town hall meetings were held covering branches operating in various regions where employee suggestions have been successfully addressed/implemented by action owners.
Cross Functional Meetings
<ul style="list-style-type: none"> Recommendations /suggestions raised were successfully addressed/closed by implementing required initiatives/changes by those respective action owners.
Skip Level Meetings
<ul style="list-style-type: none"> Re-started these meetings after a gap during the pandemic period. The opportunity to speak directly to those at higher levels was well received by employees.
Thanking & Recognition
<ul style="list-style-type: none"> A staff awareness for all staff members was carried out on the initiatives that are going to take place under the Thanking & Recognition programme. The Seylan Thanking Day has been declared as the 2nd working day of each month starting November 2022 & accordingly 'Thank You' Cards are made available to Senior Management. So far we have conducted three Seylan Thanking days.
Creating a Culture for Idea Generation and a Process for Recognition of Innovative Ideas
<ul style="list-style-type: none"> A portal is being finalised in the HRIS in consultation with the service provider which will be launched in January 2023.
Training Calendar
<ul style="list-style-type: none"> Employees receive regular training updates on programmes available.
Coaching programmes
<ul style="list-style-type: none"> Programmes have been included into the structured management development initiatives aimed at staff upgrades to middle management and strategic management roles.
Quarterly News Letter
<ul style="list-style-type: none"> Began publishing a newsletter covering areas of the Bank's performance against budget, branch/ area KPI achievements and new initiatives that are rolled out.
Awareness Campaign on Performance Management
<ul style="list-style-type: none"> This was carried out highlighting the salient features of the Performance Management Policy and criteria.
A Special Management Development Programme
<ul style="list-style-type: none"> The Senior Management was given a special training in the areas of people management, behaviour and attitudinal change.

Diversity and Inclusion

The diversity of the Bank's employees has been a core aspect of the power they bring to our business. They work as one team despite the differences in gender, age, ethnicity, religion, education and experience to ensure meeting business goals.

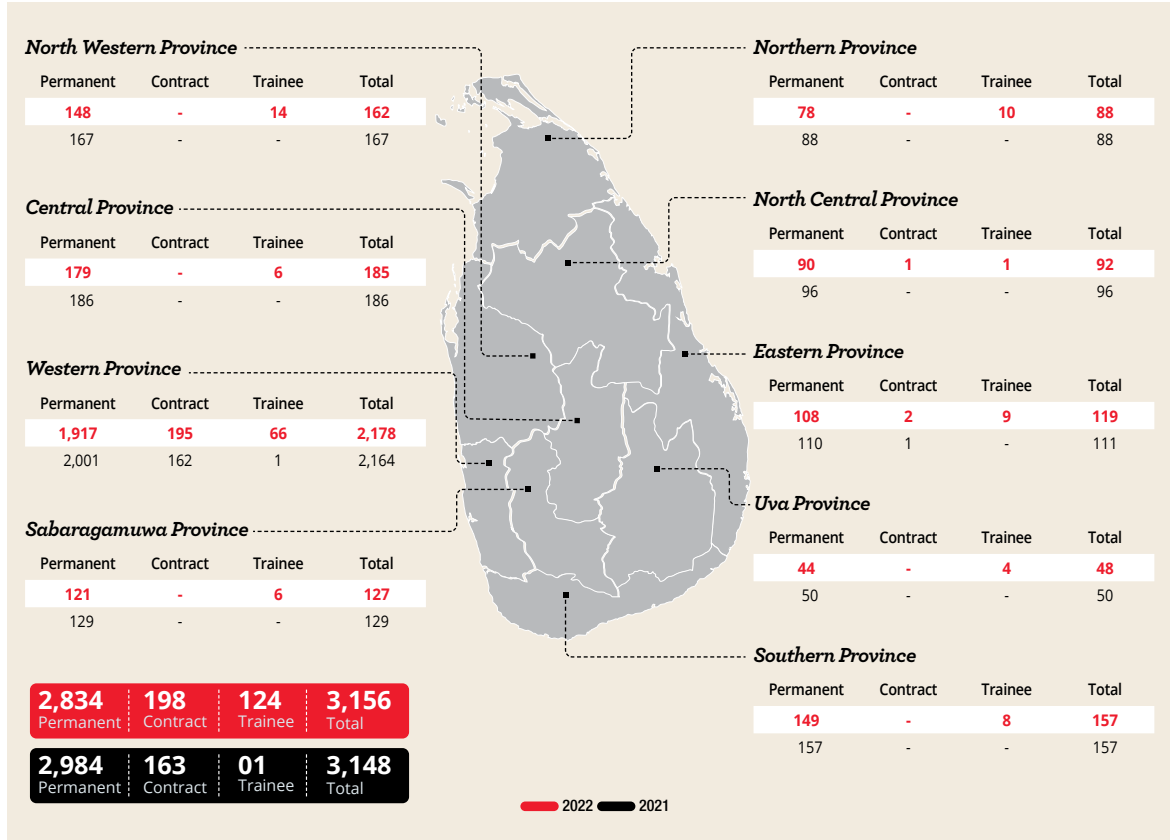
The following illustrations/tables show the diversity of our employee base.

Workforce by Years of Service and Grade

	Less than 20 years	More than 20 Years	Total
Corporate Management	16	9	25
Middle Management	62	178	240
Operational Management	609	691	1,300
Others	1,326	265	1,591
	2,013	1,143	3,156

EMPOWERING EMPLOYEES

Workforce by province



Workforce by Type of Employment

	2022	2021	2020	2019	2018
Permanent	2,834	2,984	3,049	2,948	2,989
Contract					
Sales force	138	123	119	168	144
Other contract employees	60	40	40	25	35
Trainees	124	1	43	219	176
Total	3,156	3,148	3,251	3,360	3,344

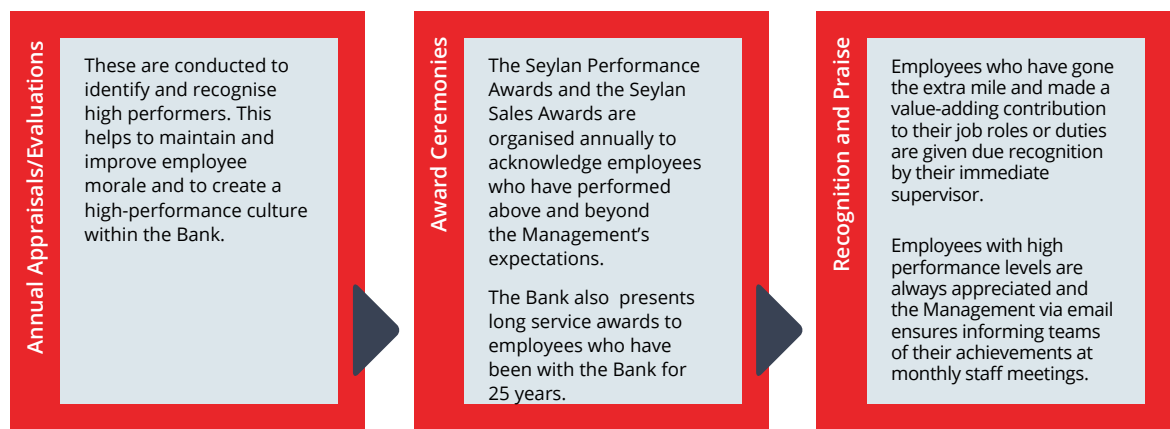
Workforce by Grade, Gender and Age

	20 or below		21-30		31-40		41-50		Above 50		Total
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
Corporate Management	-	-	-	-	-	-	6	1	14	4	25
Middle Management	-	-	-	-	10	6	84	33	67	40	240
Operational Management	-	-	8	3	318	151	348	308	77	87	1,300
Others	17	37	305	465	189	167	187	97	116	11	1,591

	Non-Corporate Management		Corporate Management		Total		Grand Total
	Male	Female	Male	Female	Male	Female	
Permanent	1,571	1,238	20	5	1,591	1,243	2,834
Contract	119	79	-	-	119	79	198
Trainees	36	88	-	-	36	88	124
	1,726	1,405	20	5	1,746	1,410	3,156

Annual Appraisals and Recognition

The Bank drives a high-performance culture and several employee recognition activities are annually held to ensure all employees feel appreciated, encouraged and recognised for their dedication and hard work. The Bank ensures adequate resources are allocated for this value-creating activity.



Promotions Granted in 2022

	Male	Female	Total
Number of promotions	193	138	331
As a percentage	58%	42%	100%

Talent Acquisition

Acquiring the right talent for the right position at the right time is a fundamental pillar of the Bank's HR policy. The Bank takes an approach where employees are hired for their future potential and provide adequate training and development to improve and refine their capabilities and skills for higher performance levels. Depending on the requirement of the Bank's branches, we recruit employees from their local locations and across provinces.

Most of the Bank's recruits represent younger age groups. This

ensures the future growth of the Bank and an adequate pipeline for succession planning. Having new generation employees also provides opportunities for the

newly employed to achieve their career aspirations and become future leaders and trendsetters in the industry.

New Recruitments by Gender and Age Group

Age	2022			2021		
	Male	Female	Total	Male	Female	Total
20 or below	53	65	118	18	5	23
21 - 30	109	131	240	64	31	95
31 - 40	12	9	21	6	-	6
41 - 50	3	3	6	3	-	3
Above 50	-	-	-	2	-	2
	177	208	385	93	36	129

EMPOWERING EMPLOYEES

New Recruitments by Gender and Province

Province	2022			2021		
	Male	Female	Total	Male	Female	Total
Central	19	20	39	11	1	12
Eastern	7	9	16	3	-	3
Northern	4	10	14	-	-	-
North Central	1	5	6	2	2	4
North Western	17	10	27	3	-	3
Sabaragamuwa	5	5	10	3	2	5
Southern	15	18	33	5	2	7
Uva	11	3	14	3	1	4
Western	98	128	226	63	28	91
	177	208	385	93	36	129

Employee Turnover

During the year under review, the unpredictable macro-economic environment resulted in the Bank experiencing an increased level of employee turnover due to migrations. Employees also resigned to pursue overseas higher education opportunities. Additionally, career changes, lucrative job and remuneration offers from competitors and employee retirements also added to employee turnover numbers.

Employee Turnover by Gender and Age

Age	2022			2021		
	Male	Female	Total	Male	Female	Total
20 or below	20	8	28	10	5	15
21 - 30	105	97	202	81	38	119
31 - 40	45	31	76	25	12	37
41 - 50	27	15	42	10	8	18
Above 50	24	14	38	28	21	49
	221	165	386	154	84	238

Considering the high levels of employee turnover in the market and its impact, the Bank has taken proactive steps to create a competent multi-tasking workforce to manage critical functions. We also implemented a process of fast-tracking employee career progression to retain talented employees within the Bank.

Average service period
of an employee

15 Years

Training and Development

Part of the Bank's value creation of our employees is to provide them with training and development opportunities that lead to various prospects for personal and professional growth.

Training Opportunities for the Bank's Employees

Investment in continuous training and development has a positive impact, enabling employees to sharpen their skills and capabilities. During the year, the Bank continued to invest in employee

training and development with this aim. Despite being constrained by several post-pandemic issues, power cuts and transportation problems, the Bank successfully conducted training programmes using E-learning platforms so that employees could receive training at anytime from anywhere.

Average Training hours
per employee

44.3

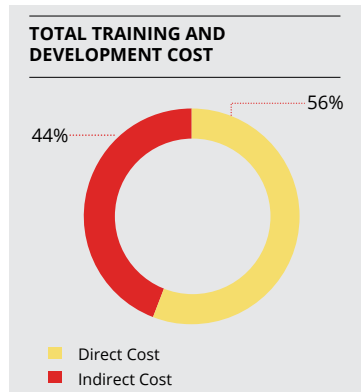
Details of Training Conducted in 2022

Type	2022			2021		
	No: of training programmes*	Training hours	No: of participants	No: of training programmes	Training hours	No: of participants
Internal - Classroom	15	10,796	863	3	720	120
Internal - Online	26	30,235	5,030	319	45,248	5,019
External	56	2,023	126	39	2,395	207
Foreign	7	278	10	2	80	3
E-learning	31	96,556	19,726	17	45,380	8,429
	135	139,888	25,755	380	93,823	13,778

	2022			2021		
	No: of training programmes*	Training hours	No: of participants	No: of training programmes	Training hours	No: of participants
General banking practices	38	25,445	3,483	204	29,225	2,560
Professional development	15	12,146	1,648	19	8,221	471
Communication and negotiation skills	11	2,148	301	15	1,736	423
Marketing & marketing communication	10	1,853	420	53	2,996	786
HR management / personal development	7	672	129	4	137	15
Compliance & specialised area	23	1,068	48	68	6,128	1,094
E-Learning	31	96,556	19,726	17	45,380	8,429
	135	139,888	25,755	380	93,823	13,778

* Count is based on the title of the programme irrespective to number of days or different audience it was conducted.

Total Training and Development Cost	2022 LKR'000
Direct Cost	28,969
Indirect Cost	22,823
	51,792



Academic qualifications /Professional Qualifications holders, age wise and gender wise

	2022					2021				
	Academic qualifications		Professional Qualifications		Total	Academic qualifications		Professional Qualifications		Total
	Male	Female	Male	Female		Male	Female	Male	Female	
Below 20	-	-	-	-	-	-	-	-	1	-
21 - 30	24	30	47	138	239	19	18	59	151	247
31 - 40	85	62	237	168	552	84	58	249	182	573
41 - 50	124	88	245	233	690	133	91	273	247	744
Above 50	52	32	78	58	220	31	25	60	39	155
Total	285	212	607	597	1,701	267	192	641	620	1,720

EMPOWERING EMPLOYEES

Training Opportunities for Non-Bank Contract Employees

Security officers based at our head office and in our branches throughout the country are being provided with necessary training in terms of ethical requirements and other measures. During the year 2022, security personnel were given specific training on best security practices and customer care.

Human Rights

Human Rights Policy

Seylan Bank is committed to upholding the human rights standards enshrined in the Universal Declaration of Human Rights and the conventions of the International Labour Organisation (ILO). The policy covers the elimination of all forms of compulsory labour, the effective abolition of child labour and the elimination of discrimination with respect to employment.

Human rights principles are rooted within the Bank’s business operations. The Bank incorporates its human rights policy within the Employee Code of Conduct which is shared with every employee upon recruitment. Areas such as the treatment of people fairly, equally and as per his/her rights as human beings are comprehensively captured. The Code guides all employee actions while carrying out work on behalf of the Bank and when interacting with all stakeholders.

Furthermore, the Bank’s governance framework and work practices include a zero-tolerance policy on sexual harassment, child labour, and forced labour. We have also added strict policies to safeguard the human rights of employees. The Bank’s human resource management team ensures compliance with all

laws and regulations related to employment and labour practices of the country.

There were no reported incidents of discrimination or non-compliance with labour laws during the year 2022.

One Team

The Bank promotes a HR culture prioritising diversity amongst our employees, and upholding the concept of “one team”. The Bank’s belief is founded on the basis that every individual has a right to be different and every employee should be treated as equal and empowered to realise their full potential with absolute commitment and joy. The Bank is proud to have a team comprising people from various religions and ethnicities.

	2022			2021		
	Male	Female	Total	Male	Female	Total
Sinhala	1,550	1,223	2,773	1,580	1,187	2,767
Tamil	141	155	296	144	144	288
Muslim	37	19	56	41	21	62
Burgher	12	12	24	14	12	26
Others	6	1	7	4	1	5
	1,746	1,410	3,156	1,783	1,365	3,148

Freedom of Association and Collective Bargaining

The Bank’s commitment to protecting our employees’ rights to freedom of speech, expression and association remains steadfast despite any changes to the external environment. Over 88% of the Bank’s employees belong to trade unions and are covered under collective agreements. The HR team maintained proactive engagements with all trade unions during the year, successfully obtaining their cooperation and support in implementing new work practices, ensuring the safety of employees and coming to mutually agreeable terms on other employee-related matters.

Minimum Notice Period

The Bank has set a standard of three months’ notice to be provided in respect of senior level employees and one month’s notice in respect of all other employees when resigning from the Bank. This approach has supported us to minimise any adverse impacts in serving our customers and ensuring uninterrupted services without any disruptions to our operations. These requirements are also included in the Bank’s collective agreement.

Equal Opportunity Employer



42% of promotions were received by women

45% of the total workforce are women

The Bank continues to make every effort towards improving gender parity at all levels and providing equal opportunity employment to men and women. We are proud of the significant steps we have taken to ensure a favourable work environment for our female employees while continuing to

improve and upgrade our position as a female-friendly workplace. Positions in our employee cadre are filled based on ability, knowledge and skills and all employees are

treated equally and given equal opportunities to achieve their career aspirations and attain their full potential in the roles and functions for which they are employed by the Bank.

Workforce by Gender

	Male	Female	Total
Total workforce	1,746	1,410	3,156
As a %	55%	45%	100%

Employee Remuneration by Gender

	2022								2021							
	Monthly basic salary (Mn)		No: Staff		Average basic salary (Mn)		Salary ratio		Basic Salary (Mn)		No: Staff		Average basic Salary (Mn)		Salary ratio	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Corporate management	16.58	2.67	20	5	0.83	0.53	1.55	1	15.16	2.72	22	6	0.73	0.45	1.52	1
Middle management	44.52	21.48	161	79	0.28	0.27	1.02	1	42.71	19.47	174	81	0.25	0.24	1.02	1
Operational management	104.44	76.81	751	549	0.14	0.14	0.99	1	95.19	69.01	780	554	0.12	0.12	1	1
Other	59.66	51.89	814	777	0.07	0.07	1.10	1	54.89	47.86	807	724	0.07	0.07	1	1

Benefits Provided to Employees

LKR 7.9 Bn was disbursed for payments to employees while maintaining the diverse range of benefits offered to permanent employees.

The Bank creates and adds value to our employee value proposition by offering employees a range of financial and non-financial benefits. Despite the challenging operating environment, the Bank fulfilled our financial and non-financial obligations due to our employees without any delay or interruptions.

Special Benefits Review in 2022: The ever-increasing cost of living in the country has resulted in deteriorating the purchasing power for goods and services. From the Bank's perspective, this has now become a social issue as it has a severe impact on our employees and adds pressure on their management of salary versus expense. The Bank, therefore, began a review process on benefits given to employees and to adjust them to market rates, thereby providing relief for our employees in meeting their daily living expenses.

Details on Employee Benefits

	2022	2021
	LKR (000)	LKR (000)
Basic Salary	4,627,769	4,251,149
EPF 12%	554,220	509,498
ETF 3%	138,558	127,392
Total	5,320,547	4,888,039
Other benefits		
Leave Incentive	199,466	184,908
Medical	117,612	113,611
Bonus	890,244	994,934
Insurance	110,355	126,893
Welfare	55,474	44,742
Other Allowances / benefits	967,934	276,206
Amortisation of prepaid staff cost	302,464	280,371
Total other benefits	2,643,549	2,021,665
Total benefits	7,964,096	6,909,703
Training cost	51,792	26,581
Total benefits including training cost	8,015,888	6,936,285
No: of staff	3,156	3,148
Average Benefits per employee	2,540	2,203

EMPOWERING EMPLOYEES

Employees who Obtained Parental Leave and Returned to Work

	2022	2021	2020	2019	2018
Number of employees obtained parental leave	52	57	43	67	57
Returned to work	100%	100%	100%	100%	100%

Guaranteed Cash and Other Allowances

Half month's salary as holiday incentive

Two months bonus (certain grades are subject to one month's fixed bonus and variable performance bonuses)

Fuel reimbursement

Travelling allowances

Special allowances for cashiers and employees located in difficult stations

Holiday/weekend banking allowances

Other Prerequisites

Use of holiday bungalows

Comprehensive medical scheme

Insurance scheme

Spousal support in the event of death

Critical illness cover

Death donation scheme

Variable Pay

Performance bonus (only for certain grades)

Sales incentive

Reimbursement Expenses

Professional/club subscription

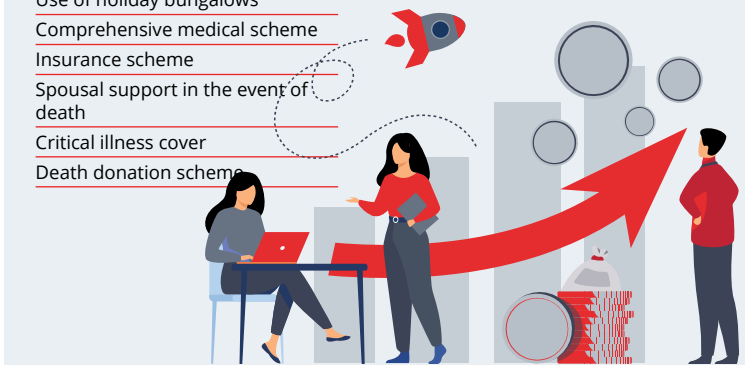
Reimbursement of telephone bills

Financial support for postgraduate studies

Honorarium

Subsidised Loan Benefits

Concessionary rates for housing, vehicle, computer, education and other loans



employees but also to other key stakeholders.

Pending Litigation

All pending litigations against the Bank are reported in Note 48 page 258 of the Financial Statements.

Employee Satisfaction

Many of the Bank's employee motivation and engagement activities are concurrently aimed at keeping our employees satisfied. The satisfaction of employees with their employer and job roles are considered a critical aspect by the Bank as satisfaction leads to happy employees who are content in their work resulting in an effective and responsible workforce willing to give their best to the organisation. To better understand employees feeling and beliefs about their satisfaction at the workplace, the Bank conducts annual employee surveys. The survey completed in 2022 indicates an overall satisfaction of 71% compared to 72% reported in 2021.

Grievances Handling Mechanism

The Bank maintains an open-door culture encouraging employees to bring to the notice of Management their grievances and concerns. This process ensures that grievances are dealt with promptly and fairly. The Bank has established a Grievance Handling Committee which is activated in instances when a grievance is reported by an employee. This Committee, chaired by the DGM HR, ensures that all grievances are handled professionally and confidentially.

The Bank has an online method to report employee grievances. Using the "Log Your Concern" secure portal on the company

intranet, employees are easily able to report any HR or other work-related concern to reach the person in charge. The Bank is committed to responding to these logged complaints within 48 hours of them being reported.

Promoting Whistle-blowing

The Bank has in place a whistle-blower policy where employees can raise any issue or concern without the risk of being disregarded or facing any repercussions. Any individual who uses this method to bring to the notice of the Bank's Management any wrong doing is guaranteed confidentiality and non-disclosure of identity. The policy applies not only to the Bank's





Future Outlook

Managing our employees will be challenged in the forthcoming years as economic downturn in 2022 continue to have a lasting adverse impact on the Sri Lankan economy and the operating environment. While we continue to face human resource management challenges head-on, we will do this by taking a broader view of value creation for our employees.

A focus area will be the review and update of certain key HR policies related to employee rewards and remuneration to negate the impact of deteriorating purchasing power and thereby provide financial / other relief and ensure our employees' mental well-being.

The Bank will also continue to focus on initiatives to create a competent multi-tasking workforce to manage critical functions and fast-track employee career progression to retain talented employees within the Bank. Succession Planning activities will be re-designed and improved to create more opportunities for career enhancement of employees and develop people to become strong future leaders.

The Bank will continue to explore innovative opportunities to create value for our employees while supporting them to fulfil their future career and professional aspirations. During the year under review, the Bank began job enlargement and job enrichment initiatives which will be further strengthened during the coming year.

We will also focus on programmes to improve digital readiness of employees in the coming years to enable higher levels of digitalisation adoption within the older less tech-savvy employees.

These programmes will also support the Bank's commitment to empowering employees and keeping them motivated while creating long-term value for human capital.

OUR BUSINESS PARTNERS

ACHIEVEMENTS 2022

- Partnerships with over 400 global banks
- Over 20 global banking partnerships spanning more than 15 years
- We have successfully registered 550 local suppliers under 68 product and service categories
- Our supplier base comprises 99% local suppliers with established partnerships
- The Bank has memberships with over 25 professional and industrial bodies

Connecting with Business Partners for Mutual Business Growth

The Bank's business partners are integral to our customer servicing process as they support our efforts in how we reach our customers and provide for their banking needs enabling business growth and sustainability. Our long-term relations with our business partners including suppliers and global banks have been a stronghold in how we approach new challenges and navigate changing banking and operating conditions.



400+
Global business partnerships

25+
Association memberships

550
Registered local suppliers

Management Approach

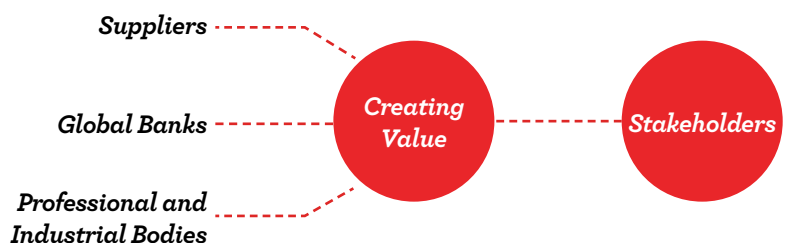
Seylan Bank's business partnerships are the cornerstone of the creation and delivery of value across our stakeholder groups. Our stakeholder value creation process has benefited over time as we maintain long-term partnerships with local and global business partners. Having steadfastly developed strong business partnerships over the last 35 years, our focus remains on creating sustainable and effective value for our partners while they support our business growth and strengthen our corporate reputation in the industry.

Having recognised that today's partnerships play an important role in the Bank's future commercial

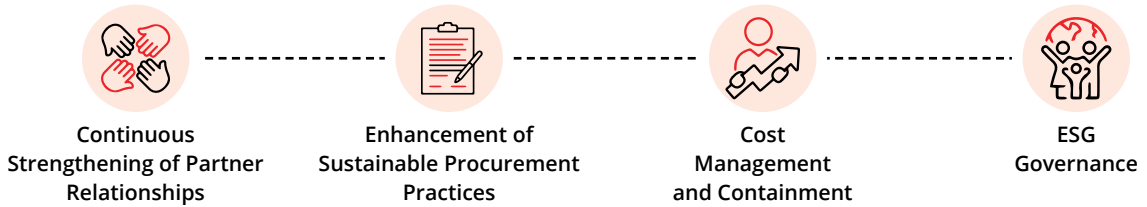
success, our procurement processes are designed to deliver high value to our partners over time. We aim to enhance our procurement processes year-on-year, while continually building on supplier relations. As part of our relationship-building efforts with partners, the Bank ensures clear communication protocols and plans regular meetings for collaboration

and relationship management. Furthermore, our integrated best-practice for Economic, Social, and Governance (ESG) support our supplier and partner selection processes enabling us to shortlist organisations that meet our stringent partnership criteria so that all parties are privy to mutual and sustainable benefits for business growth and commercial success.

Creating Integrated Value Across Partnerships for Outstanding Absolute Customer Services



MATERIAL TOPICS COVERED



CONTINUOUS STRENGTHENING OF PARTNER RELATIONSHIPS	
Focus Area	How We Performed
Building relationships with new partners to enable the Bank to navigate emerging changes	<ul style="list-style-type: none"> Expanded coverage in the European market through strategic tie-ups with banks in line with expectation of increased inflow of worker remittances.
Strengthening the existing partnerships	<ul style="list-style-type: none"> Executed in-person meetings with agents based in several Middle East countries to discuss new developments and future collaborations.
Deployment of the Bank's representation overseas	<ul style="list-style-type: none"> Several senior officers of the Bank visited Saudi Arabia to assist the Sri Lankan migrant workers to fulfil their banking needs.
Partnered with Lanka Remit	<ul style="list-style-type: none"> Collaborated with Lanka Remit, the National Remittance Mobile Application launched by Lanka Clear to provide remittance services virtually.
ENHANCEMENT OF SUSTAINABLE PROCUREMENT PRACTICES	
Focus Area	How We Performed
Streamlining procurement processes to align with developing challenges in the economy	<ul style="list-style-type: none"> Successfully adopted new strategies for local supplier management. Re-negotiated contracts and terms with current suppliers. Eliminated non-value adding activities and direct towards better value addition.
Strengthening and streamlining inventory management and demand forecast strategies	<ul style="list-style-type: none"> Hold the right quantity of stocks at stores throughout the year and assured optimum inventory control. The Bank's automated inventory management monitoring system supports the procurement and vendor management.
COST CONTAINMENT	
Focus Area	How We Performed
Implementation of effective process management and cost containment initiatives	<ul style="list-style-type: none"> Strategic cost management initiatives across the procurement process resulted in curbing overhead expenses. Selective investment on certain capital expenditure. Operational expenses were clearly monitored.

Managing Procurement Processes

The Bank continually focuses on maintaining sustainable procurement practices which proved to be of critical importance in the year under review due to upheavals and challenges faced in the operating environment. Our integrated processes enabled the Bank to proactively review and revise the strategies adopted in our procurement process to deal cohesively and fairly with both local suppliers and global banking partners.

OUR BUSINESS PARTNERS

Vendor Management Process and Procurement Guidelines

- Adheres to the Bank's vendor management process and follows the comprehensive procurement guidelines of the Bank enabling the management of a transparent procurement process. This also supports the Bank to make purchases and partnering with the most feasible and reliable suppliers with a long term view.

Centralised Supplier Database

- The centralised supplier database ensures receipt of the most updated and accurate information about current and prospective suppliers. This database has enabled the Bank to increase the reliability of the procurement process without any external influence or interference.

Automated Inventory Management

- The Bank's automated inventory management monitoring system supports the procurement and vendor management processes by providing accurate, timely and reliable information for effective and efficient decision making leading to long-term value creation for our stakeholders.

Local Supplier Partnerships

The Bank continues to maintain partnerships with existing suppliers while we also develop new partnerships to maintain a competitive arena of suppliers for the benefit of value creation. Our supplier partnerships enable us to procure goods required to carry out uninterrupted banking activities and other services which support the Bank's daily operations. Many of our suppliers are locally based and often in the vicinity of our branch network. As such our procurement practices are aimed at supporting the growth and development of communities within which we conduct banking operations.

The Bank's procurement process ensures goods and services, or other labour is received at optimal prices while maintaining appropriate and expected quality, quantity and on-time delivery while promoting fair and open competition and minimising risks.

Challenges Faced in Local Procurement

During the year under review, the unexpected steep increase in local inflation coupled with the depreciation of the Sri Lankan rupee resulted in significant increases in material, labour, energy and transport costs. Resultantly, the Bank faced large cost differentials across our supply chain network.

To overcome this situation the Bank proactively adopted several strategies to ensure a minimum impact on business operations and customer services.

Key Strategies Adopted to Manage Local Procurement Challenges

- Increased the supplier database and used multiple sources for material supply.
- Developed one or more backups for each purchase of material, equipment or service.
- Strategic cost reduction through reviewing every aspect of service to minimise procurement costs without impacting the quality of the goods and services.
- Meeting with specific key suppliers to re-negotiate contracts and terms to remain viable in the new operating environment.
- Strengthening and streamlining inventory management and demand forecast strategies.

Supplier Engagement in Branch Vicinity

	2022 (LKR Mn.)	2021 (LKR Mn.)
Tea & coffee	39.49	23.27
Subsidised lunch for staff	23.46	33.53
Supply of foliage/ maintenance of fish tanks	2.21	2.41
Janitorial and courier services	119.45	98.24
Repair and maintenance	30.94	13.06
Drinking water	12.83	8.65
Newspapers	2.50	1.58
Security	315.43	306.66
Total	546.31	487.40

Global Banking Partnership

Over the years, the Bank has developed and maintained respectful and friendly relations with corresponding banks across the globe. Today, with over 400 partnerships in place, we continue to regularly engage and communicate with our banking partners, comprising some of the world’s largest financial institutions. Some key matters such as the timely and accurate processing of international trade and personal transactions, customer privacy and data security were aspects that were on the discussion agenda for improvement.

These global banking partnerships enabled the Bank to manage uninterrupted trade services to clients amid numerous challenges faced in the last few years. Together the Bank’s Domestic Banking Unit (DBU) and Foreign Currency Banking Unit (FCBU) proactively handled emerging challenges experienced during the year under review due to the deteriorating market conditions.

Challenges Faced with Global Banking Partners

The developing market conditions with limited foreign reserves, the depreciate in rupee and money market restrictions posed challenges for the Bank in terms of credit growth, lending, currency exchange and trade facilities. Our long-standing partnerships with global banking institutions supported the Bank’s endeavours to serve our customers and sustain the Bank’s business operations during these challenging time.

Key Strategies Adopted to Manage Challenges

- Availability of credit facilities to grow the export books. The ongoing foreign currency requirements in Sri Lanka resulted greater emphasis being placed on improving foreign currency inflows by growing the export book. The cooperation by our global banking partners in maintaining credit facilities, enabled the Bank to satisfactorily serve our existing export customers and on-board new export customers to increase the foreign currency inflows to our country.

- Negotiations with correspondent global banks. The sudden vast gap in pricing parity was a challenge for the Bank and our customers as it resulted in higher rebates on trade transactions. Due to the understanding created over the years with global banking partners, the Bank was able to manage the disparity by strategically managing business amongst correspondent banks to maintain an acceptable average pricing parity. As such the Bank recorded a high rebate income despite lower transaction volumes recorded during the year under review.

Inter-Change of Knowledge and Know-How

Following the premise of adopting and cascading learning culture with the Bank’s network and employees, we continued to share and exchange information with our global banking partners on changes in the local and global banking industry and other emerging developments.

Knowledge Sharing Webinars 2022

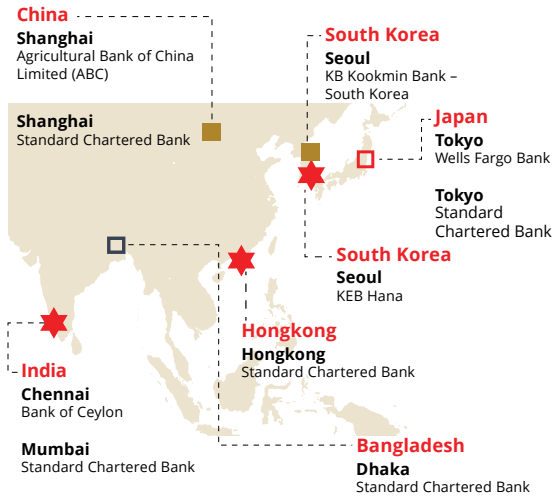
Conducted by Standard Chartered Bank	Conducted by Deutsche Bank	Conducted by Wells Fargo Bank	Conducted by Other Correspondence Banks
Global Research Briefing H1 2022: Global and Sri Lanka Outlook	The latest market developments in the correspondent banking	Global Payments Industry Trends and Solutions	JP Morgan Insight Series – Future of Global Payments
ISO 20022 migration - WebEx training	space, blockchain and digital currencies, sanctions and embargoes	SWIFT GPI & ISO 20022 updates, Cyber Inquiry Payment GPS	JP Morgan Insights Series - AML/ KYC Compliance in a Digital Age
The Road to Recovery Amidst Uncertainty		Global perspectives on emerging risks in financial crimes.	

OUR BUSINESS PARTNERS

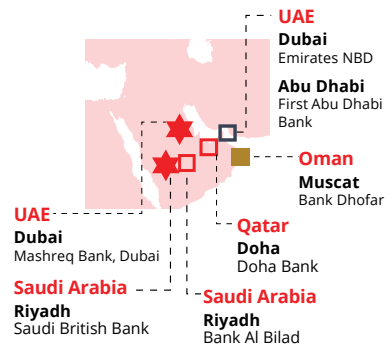
Partnership with Correspondent Banks

- ★ Relationship more than 15 years
- Relationship between 10-15 years
- Relationship between 5-10 years
- Relationship less than 5 years

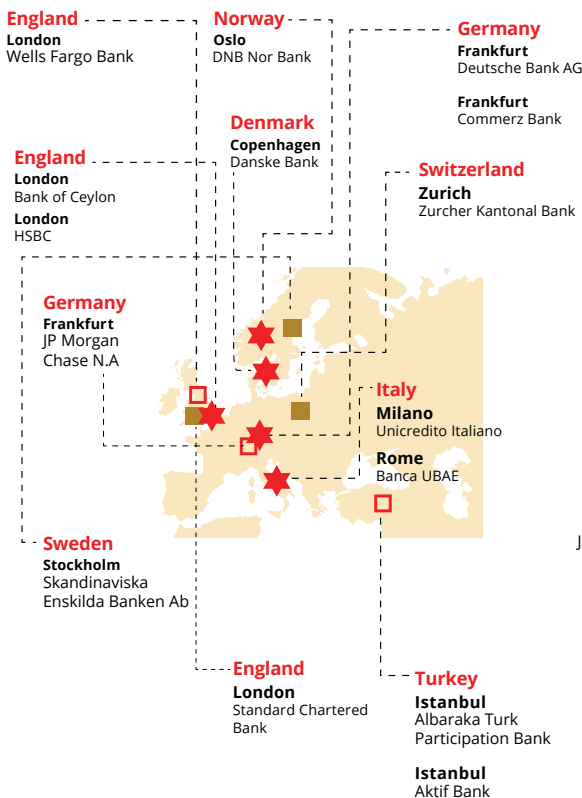
Asian Continent



Middle East Continent



European Continent



Australian Continent



North American Continent



Partnerships with Associations and Professional Institutions

The Bank's partnerships with industry bodies, trade associations and professional institutions enabled us to comply with regulatory requirements and fulfil operational needs and other business requirements. These partnerships enabled the Bank to show support to these associations while benefiting from the expertise they impart. Industry associations play an important role in the

Bank's consultation process and operational excellence, as they are a fount of knowledge that would otherwise be difficult for individual entities to obtain due to a lack of time and resources.

These associations and professional bodies also offer the Bank a network of experts from whom knowledge can be gathered, enabling us to remain on par with developments in the economy and industry. Sharing of this information also supports the Bank in proactively managing challenges

within the constantly changing operating environment.

We also encourage our employees to network and participate in events organised by these associations and institutions to enable them to build their personal and professional networks for career growth and development.

General memberships and established alliances with various industry associations and other trade and professional institutions are detailed below.

Category	Professional Institution/Trade or Industry Association
Professional Bodies	The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
	Chartered Institute of Management Accountants (CIMA)
	Association of Chartered Certified Accountants (ACCA)
	Certified Management Accountants (CMA)
	The Institute of Bankers of Sri Lanka (IBSL)
	Sri Lanka Institute of Taxation
	Association of Banking Sector Risk Professionals
Regulators	Central Bank of Sri Lanka (CBSL)
	Securities and Exchange Commission of Sri Lanka
	Colombo Stock Exchange
Business Collaborations	The Ceylon Chamber of Commerce
	The National Chamber of Commerce Sri Lanka
	Lanka SWIFT User Group (LSUG)
	Lanka Clear (Pvt) Ltd
	Association of Professional Banks Sri Lanka (APBSL)
Banking and Financial Industry Associations	Financial Ombudsman Sri Lanka (Guarantee) Limited
	Association of Compliance Officers of Banks, Sri Lanka
	Sri Lanka Forex Association
	The Sri Lanka Banks' Association (Guarantee) Limited
	Credit Information Bureau (CRIB)
	The Clearing Association of Bankers
	The Employers' Federation of Ceylon
Environmental Conservation Institutes	Bio-diversity Sri Lanka
	Global Sustainable Finance Network
	Sri Lanka Banks' Association Sustainable Banking

Future Outlook

Business partnerships will continue to remain integral to the Bank's sustainable business operations and to create continuous value for our stakeholders. The Bank will remain focused on maintaining amiable relationships with our existing business partners that lead to benefits for both parties. Furthermore, we will also focus on developing new partnerships with local suppliers and global banks to extend our network and manage rising challenges to remain a viable banking institution.

Maintaining our stance on the enhancement of sustainable procurement practices, we shall promote local purchases where possible and convert these into strong partnerships benefiting both local industry growth and the development.

Global banking partners will become a critical success factor in the short-term as we must manage and overcome the economic downturn facing the country. The Bank has plans to closely collaborate with our global banking partners and negotiate terms and facilities to enable international trade to continue with minimal disruptions. One such project in the pipeline is to partner with the Asian Development Bank (ADB) on the "Trade Finance Programme (TFP)" which will extend funded and non-funded credit lines at relatively better pricing to partner banks so that a larger share of trade customers can be reached globally.

SUPPORTING ENVIRONMENTAL PROTECTION

ACHIEVEMENTS 2022

- 3,946 pkts reduction of A4 paper
- Automation & process simplification towards paperless workplace
- 100,035 kg of paper recycled
- 635 GWh renewable energy generated and contributed to the National Grid
- 1,701 trees saved due to recycling activities
- 128,416 kWh of electricity consumption reduced.

Bank factors environmental considerations within key business decisions to secure a safe and clean planet for future generations.

The Bank's business model integrates with our Environmental, Social and Governance (ESG) Framework to determine our direct and indirect impact on the environment and to limit the use of scarce resources. As a responsible corporate, we continually strive to work with internal and external stakeholders to carry out environmental due diligence across immediate and expanded business operations, as well as our value chain, to reduce climate change and work towards minimising any detrimental impact on the natural environment.



201,320 km

Reduction in business travel

24,307 Units

Reduction in water consumption

Over **350**

Credit staff trained on environmental and social impact assessment and due diligence

1,422

Staff completed five e-learning modules on sustainable banking initiative of sri lanka banks association

Management Approach

The Bank takes an overarching view of creating value for the environment by reducing the use of natural and non-renewable resources and implementing measures that reduce our carbon footprint and contribute positively towards reducing climate change impacts. Accordingly, the Bank's business model incorporates environmental due diligence across all aspects of banking operations and all stakeholder interactions.

We educate on environmental protection and take proactive actions to mitigate environmental risks. The Bank's Environmental and Social Management System (ESMS) supports the evaluation of capacity, commitment and track records of every intervening stakeholder in our day-to-day business operations and strengthens our focus on environmental compliance and transparency.

Please refer to page 58 for details on how the Bank's ESMS implementation is vested under the ESG framework and others.

Our environmental endeavours support the following Sustainable Development Goals (SDG)



Seylan Bank’s Environmental Policy

We have a long-standing commitment to minimising both the direct and indirect detrimental impact on our environment arising from our business activities, whilst at the same time doing everything we can do to protect and replenish the natural resources around us. Accordingly, the Bank ensures those not only are that its products and services are compliant with applicable environmental and social impact but also the projects it supports during the normal course of business.

MATERIAL TOPICS COVERED



Minimising natural resource usage



Increasing share of green financing activities



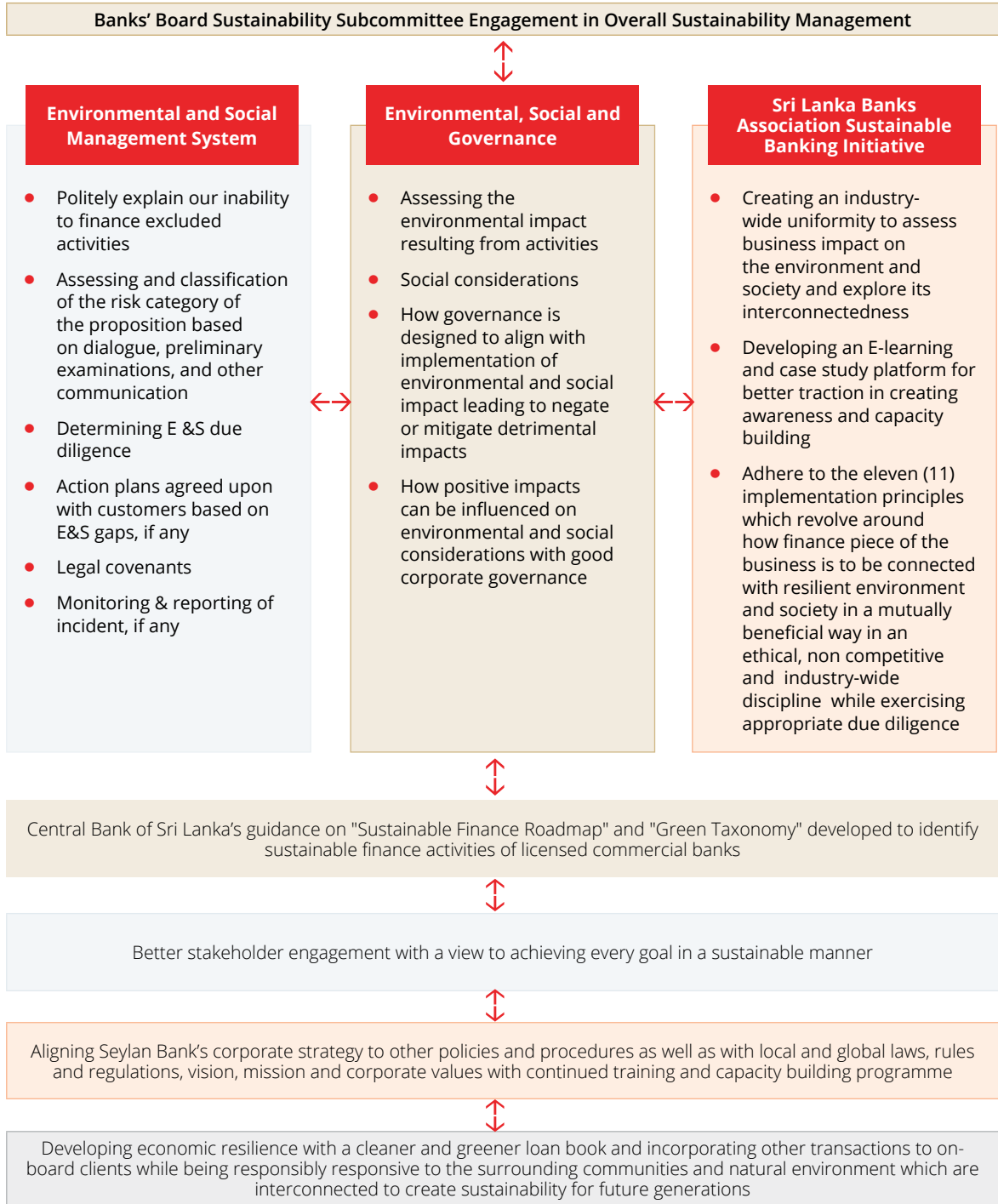
Support to slowdown adverse climate change

Material Topics, Focus Areas, and How We Performed

ENHANCEMENT OF SUSTAINABLE PROCUREMENT PRACTICES	
Focus Area	How We Performed
Curtailling paper as material usage	<ul style="list-style-type: none"> Automation of operational process and procedures Adaptation with streamlining and simplification Digital transmission of 41,204 number of Credit Papers through Loan Originating System (LOS) Island-wide cheque deposit kiosks increased by 9.3% 76,940 new customers for SMS and Internet Banking facilities
Reduction and management of energy consumption and optimising conservation	<ul style="list-style-type: none"> Electricity Reduction of 128,416KWh Fuel consumption: Reduction of 18,625 liters of Diesel
Recycling used equipment	<ul style="list-style-type: none"> Donation of 56 used computers to schools and educational institutes as opposed to discarding them to prolong its life cycle
INITIATIVES TO SLOWDOWN ADVERSE CLIMATE CHANGE IMPACTS	
Focus Area	How We Performed
Supporting clean energy projects	<ul style="list-style-type: none"> Supported 159 green financing projects to date <ul style="list-style-type: none"> Rooftop Solar Projects :150 Hydro : 5 Wind : 4
Investing in clean energy sources to reduce direct business impact on climate change	<ul style="list-style-type: none"> Transitioning to energy sources that do not emit greenhouse gases such as the use of solar power
Waste management to reduce greenhouse gas emission	<ul style="list-style-type: none"> Segregation and disposal of waste to support the responsible waste disposal and management to reduce contamination of landfills and greenhouse gas emission from solid waste combustion facilities.
Implementation of effective process management and cost containment	<ul style="list-style-type: none"> Cost management initiatives were adopted across the procurement process and resulted in curbing overhead expenses. The overall cost to income ratio was reduced from 41.53% in 2021 to 29.81% by the end of 2022 Refurbishment of tools and equipment to extend the life-span.

SUPPORTING ENVIRONMENTAL PROTECTION

Our Sustainability Governance



Our Contribution Towards Green Financing





One of the material areas that the Bank has focused on during the last few years is to support the financing needs of businesses involved in green projects. In line with this, we have proactively increased our share of the Green Financing portfolio to enhance the

positive impact on the environment by corporates. Such green projects positively contribute to reducing greenhouse gas emissions as renewable energy is directed for power generation to the national grid.

The year under review continued to challenge the achievement of this

aim of the Bank due to the financial challenges resulting in declining investments in such projects. Coupled with the slowdown in lending during the pandemic period, the sudden increase in interest rates resulted in a further slump and the overall growth in the Bank's Green Lending portfolio.

Green Finance on Renewable Energy

Type of the project	Project location	Amount granted (LKR / USD Mn)		Outstanding 31 Dec 22 (LKR/USD Mn)	Production capacity & utilisation at present (Mega Watts)	Environmental & Social Benefit in year- 2022	
		Before Y22	During Y22			Environmental	Social
						Energy produced & contributed to the national electricity grid (Gega Watt hours)	No of employment generated
 Hydro	Kibale, Uganda	1165.5 (USD3.2)	-	1023.4 (USD2.8)	6.5	29.2	20
	Ratnapura	172	-	31	1.3	6.1	9
	Badulla	354.9	-	148.2	1.35	2.2	11
	Aranayake	10	-	-	1.8	8.9	9
	Anuradhapura, Kuliyaipitiya & Thalawa	-	*	*	4.8	256.5	18
 Ground Solar	Batticaloa	300	521.0	821	10	4.1	15
	Monaragala	88.6	-	88.6	1	1.4	2
	Vavuniya	100	-	43.8	1	1.7	5
	Vavuniya	100	-	43.8	1	1.8	5
	Moho & Pannala	249	-	246	2	2.7	5
	Ampara	173.7	-	157.5	2	34.0	3
	Mathugama	146.4	-	128.7	2	48.4	7
	Galle	168.4	-	160.3	2	49.2	5
	Wellampitiya	3.7	1.3	4.5	0.4	0.5	-
	Ratmalana & Welipenna	104.3	-	74.8	1.1	1.2	-
	Bambarapana & Lemasthota	-	*	*	4.0	5.6	12
 Wind	Kilinochchi	50	-	36.7	10	31.4	7
	Kilinochchi	50	-	36.7	10	30.4	7
	Norochcholai	25	-	4.2	10	34.1	10
	Puttalam	-	*	*	25.1	82.8	25
 Corporate Rooftop Solar	Malabe	57.3	3.0	56.2	0.6	0.5	1
	Panadura, Pannipitiya & Nugegoda	60	8.7	66.4	1	1.2	1
	Thambuttegama	27	-	23.5	0.3	0.4	1
	Trincomalee	14.6	-	12.6	0.2	0.2	1
	Kalpitiya	12.5	-	10.6	0.1	0.1	1
	Welipenna	90	-	49.6	1	0.4	2

* Three project types namely 'Hydro', 'Ground Solar' and 'Wind' were financed in Y2022 and outstanding for LKR 945 Mn and LKR 531.94 Mn respectively

SUPPORTING ENVIRONMENTAL PROTECTION


Converting to a Paperless Operations Environment

The Bank uses several methods to reduce the paper used in our day-to-day operations. We educate our employees and customers to do away with printouts and other paper-based processes, use digital forms of internal and external communication, and promote our products and services using digital banking platforms (refer to pages 34 to 37 of this annual report for more details).

From a customer’s perspective, the Bank offers solutions such as E-statements, SMS alerts, online banking facilities etc., to encourage less use of paper.

Our teams work to assess and find solutions to contribute to a paperless work environment that will be sustainable in the long run and consider the various needs and requirements of our diverse customer base.

During the year under review, the following practices continued to be implemented and supported the Bank’s efforts to refuse, reduce, re-use and re-cycle paper. In total, we successfully reduced A4 paper usage by 23.3% in 2022 compared to 2021 and recycled 100,035 kg of paper.

-  Internal communications using digital channels
-  Restricting the printing of receipts based on customer preference
-  Training and development undertaken via E-learning platforms
-  Printing when necessary
-  Uploading the board papers to respective members using iPad transmission
-  Conducting meetings through MS Teams and using other virtual meeting platforms

-  Re-use of used paper for internal work and other use by employees
-  Automation of business processes
-  Introduce paperless procedures curbing usage of paper

Energy Consumption

The Bank is mainly dependent on two forms of energy; electricity and fossil fuel.

Reducing Electricity Consumption

During the year 2022, the Bank successfully reduced direct electricity consumption by 128,416 kWh units on a YoY basis as a net result of our efforts to conserve electricity by installing inverter-type air-conditioners, investing in sustainable illumination solutions using LED lights, undertaking building design and layout modifications and other initiatives. Additionally, an increase in delivery channels including an ATM and 8 kiosks also supported these efforts.

The bank also attributes the reduced electricity consumption during the year under review to the power outages experienced due to scarcity of fuel.

The Bank’s main source of electricity remains the national

grid which predominantly uses hydroelectric power. However, due to the power outages experienced during the year under review, electricity was also produced using generators which mainly operate on diesel.

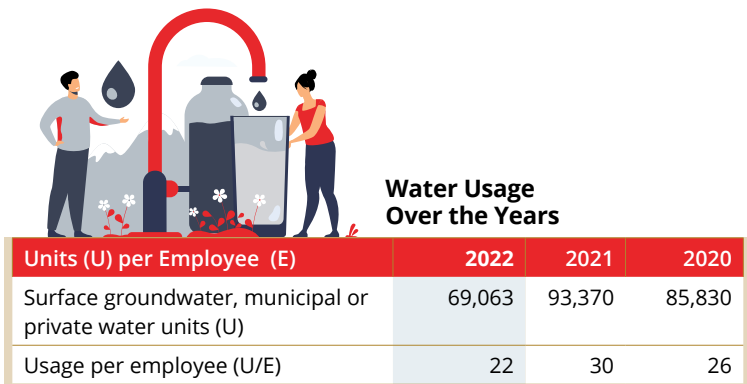
Dependency on Fossil Fuel

The Bank has over the last few years been focused on reducing the direct use of fossil fuels and promoting the reduction in the indirect use of fuel by embarking on a digitalisation journey and creating awareness amongst employees and customers.

During the year under review, the Bank’s use of fossil fuels; petrol and diesel, recorded an increase mainly due to the power outages around the country requiring the use of generators to continue business operations. Additionally, the economic downturn also resulted in the Bank offering staff transport services, which added to the consumption of fuel.

Water Footprint

The Bank uses water mainly for personal hygiene purposes and cleaning of business premises, vehicles, and related utensils. While maintaining appropriate hygiene and cleanliness measures, water consumed during the year under review shows a reduction of 8 units per employee.



Waste Disposal and Management

E-Waste Management

The main type of waste generated by the Bank is E-waste due to the use of computers and accessories which we treat as an extendable asset to satisfactorily carry out business operations. The Bank uses such assets to their full potential before repairing and reconditioning for donation to destitute schools and other needy educational institutes. The Bank has implemented this protocol for E-waste by understanding the need for reduced production of E-waste, economic usability of such equipment and support the upliftment of computer literacy of students from less privileged backgrounds.

During the year under review, the Bank donated 56 computers to 10 schools and educational institutes across the island.

Considering the need to educate these schools and institutions about the safe disposal of E-waste, the Bank educates the authorities of these institutions on the best possible disposal options or the next phase of use for such equipment.

E-waste which is designated as scrap by the Bank is recycled through authorised E-waste recyclers to keep the environmental damage at minimal levels.

Waste Management

Waste accumulates due to food waste and wrappings which includes polythene and paper. The Bank encourage employees to refrain from using polythene, but still encounters such waste periodically. Such waste is appropriately segregated and handed over to the municipal waste collectors as per the governing rules and regulations of the Central Environment Authority together with the Basel Convention on control of hazardous waste disposal.

Indirect Waste Management

The Bank also pays due attention to the Management of indirect waste generated from business operations utilising our Environmental and Social Management System (ESMS) which supports the implementation of a process for reducing indirect environmental and social footprint and enabling due diligence to be exercised to minimise the impact caused by effluents and waste including emissions.

Responsibility on Biodiversity

The Bank's direct business operations are free from the negative impact on bio-diversity. Our branch locations are not in proximity to areas rich in bio-diversity-rich or conservation areas. As part of our conservation efforts to minimise our involvement in indirect bio-diversity impact, the Bank's customers who received financing facilities are screened against our ESMS to review their processes and due diligence in complying with local laws and the requirements of the International Union for Conservation and Nature (IUCN).

To directly support and enhance the positive impact on biodiversity conservation, the Bank collaborated with Bio-diversity Sri Lanka as a patron member for ensuring conservation efforts for biodiversity.

Future Outlook

The Bank will continue to treat environmental protection and conservation as an integral aspect of business success and the future viability of operations. We aim to stay abreast of sustainable developments and align our action plans with relevant Sustainable Development Goals (SDGs) and good practices in environmental conservation while supporting efforts to reduce climate change impacts.

The Bank has embarked on implementing a ten (10) year sustainability strategy aligned with cooperate strategy overarching the following;

- Development of a cohesive sustainability strategy for the Bank which is aligned with the SDGs and nationally determined contributions.
- Partnerships with the government and other organisations to promote E-waste management across our branch network.
- Promoting sustainable banking principles such as the use of E-learning platforms together with case studies in line with the Sri Lanka Banks' Association.
- Explore how digital banking can further support the conservation of natural resources and the reduction of a negative environmental footprint.

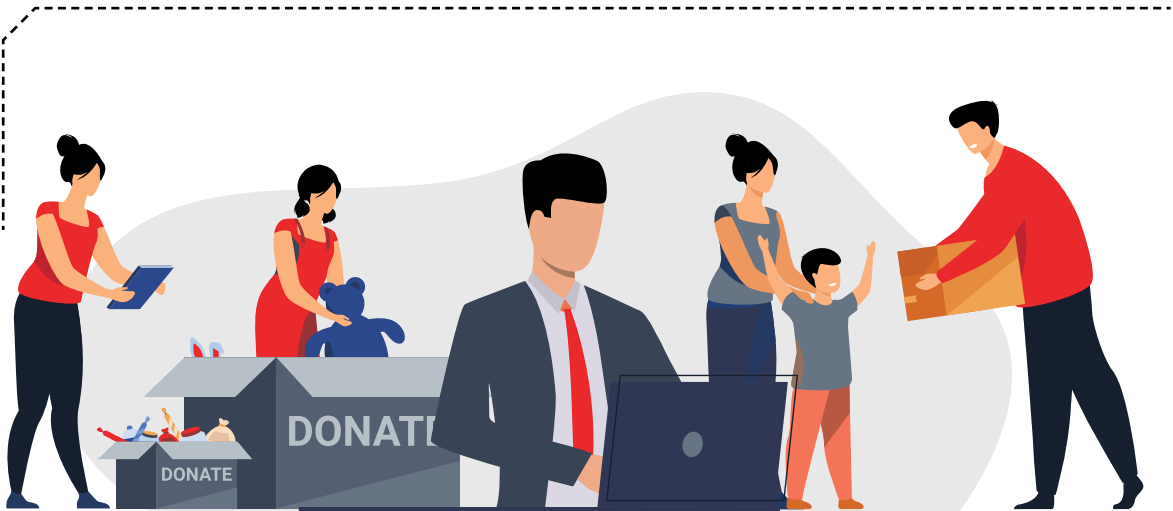
HARMONISED WITH THE COMMUNITY

ACHIEVEMENTS 2022

- Low-interest finance extended to small and medium entrepreneurs - LKR 2.13 Bn
- The only Sri Lankan brand to receive a Silver Award at the Dragons Asia Awards ceremony in the Social Responsibility category for the campaign - #responsibleme, carried out during the COVID-19 outbreak since March 2020.
- LKR 7.52 Mn invested in community projects
- 10 new libraries revived under the "Seylan Pahasara" Library project

Bank remains committed to meeting community needs and creating harmonised relationships to foster walk of life while influencing proximity to formal financial channels for the continual enhancement of value creation for the longer term.

The Bank operates within a wider community framework with a steadfast commitment to community development aimed at empowering individuals and societies to improve their livelihoods and become independent in fulfilling their needs. This belief has been the rationale for the Bank's progressive move from direct assistance in the forms of contributions and one-off project-based assistance to more inclusive forms of corporate social responsibility initiatives resulting in cohesive sustainable community development.



2148
No of new interest subsidy loans on rural agriculture

LKR 5.47Mn
Education related Investment

Home gardening promoted amongst "Tikiri" children account holders and Bank Staff

LKR 7.52 Mn
Community related investment

Management Approach

The Bank's efforts to create value for the communities we interact with have been focused on different priorities over time but with a single emphasis to create a financially inclusive society. In line with this belief, one of the main areas of concentration has been the advancement of education for the rural and less-privileged societies of the country.

The Bank has chosen this path on the premise that 'education' permeates across all dimensions of society to become the catalyst in creating a financially sound and knowledgeable community. The Bank has executed several projects and other initiatives to create value for this stakeholder group and foster community development to support improved livelihoods with shared benefits.

Our community endeavours support the following Sustainable Development Goals (SDG)



Community Policy

Seylan Bank is committed to community development and believes it to be a process of empowering individuals and groups to improve their livelihood within their community as opposed to fostering dependency. The Bank seeks to progressively shift its voluntary CSR activity into the realm of meaningful sustainability

MATERIAL TOPICS COVERED



Advancement of Education



Building and Improving Financial Literacy



Engagement with children



Fostering exports as a national mandate

Focus Areas, and How We Performed

ADVANCEMENT OF EDUCATION & HEALTH	
Focus Area	How We Performed
Supporting improved education in needy schools	<ul style="list-style-type: none"> Established 10 “Seylan Pahasara” libraries in schools with 219 in total as at 31 December 2022 Enhanced the infrastructure of school libraries together with the donation of computers and books amounting to LKR 3.46 Mn
Fostering Safe Travel	<ul style="list-style-type: none"> Continuing with preventive measure against the second wave of COVID-19, three-wheeler drivers in the North and East of the country were provided with protection sheets to separate passenger seating from the area occupied by the driver Bank collaborated with PHIs and Police Officers
ENCOURAGING ACTIVITY- BASED LEARNING	
Focus Area	How We Performed
Promote non-traditional learning for well-rounded knowledge and skills development	<ul style="list-style-type: none"> Numerous entertaining and interactive activities for children were successfully carried out during the year Supported the Backyard Wildlife Online Photography Competition for children between 6-12 years to connect with and learn about nature in their backyards
Encourage improved management of home finances	<ul style="list-style-type: none"> Tikiri Savings Account organised a “Grow with me” home gardening competition to encourage children to learn about gardening and unlock their ‘green thumbs’ As an incentive to start home gardening, a home gardening pack with two essential tools, gloves, grow bags and seeds together with free entrance to the Tikiri Home Gardening Competition were provided for every “Tikiri” account holder subject to thresholds A home gardening competition was organized after conducting a technical know-how and capacity building programme amongst staff and encouraged everyone to take part irrespective to the size of their garden as means of work-life balance and future readiness

“Seylan Pahasara” Library Project

The Bank successfully revived the Seylan Pahasara Library project after a break due to the pandemic restrictions. During the year under review, the Bank established 10

libraries in schools across the island catering to low-income families. We also donated books and computers and developed other required infrastructure to support the education process and improve education levels at these

schools. The Bank also revisited the Methodist Mission Tamil Missionary School library in Nellyyady and provided additional books and infrastructure facilities.

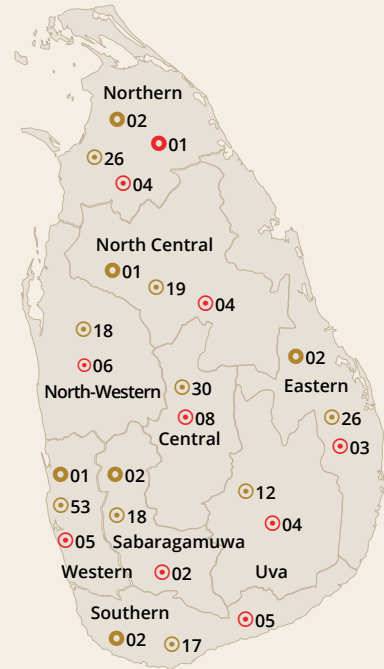
Project Status as at 31 December 2022

HARMONISED WITH THE COMMUNITY

Island-wide distribution of new libraries and revisits completed during the year and total distribution since inception

Province	During the Year		Overall	
	New	Re-visits	New	Re-visits
Northern	02	01	26	04
North Central	01	-	19	04
Eastern	02	-	26	03
Southern	02	-	17	05
Western	01	-	53	05
North-Western	-	-	18	06
Central	-	-	30	08
Uva	-	-	12	04
Sabaragamuwa	02	-	18	02
TOTAL	10	01	219	41

- New libraries During the Year
- Total library projects since inception
- Re-visits During the Year
- Total Re-visits since inception



Fostering Safe Travel

Bank, being the Bank with a Heart, launched a community responsibility project to distribute COVID-19 protection sheets for three-wheelers. The first step of the project was carried out in the Northern and Eastern Provinces where the protection sheets were handed over to three-wheeler

owners at an event organised by the Bank's branches located in the areas. The project was developed to encourage a responsible transport service and maintain a safe distance between driver and passengers. Following the success in the North and East, Seylan Bank aims to expand this project in other regions of the island in the coming year.

Steps to Empower Minors

The Bank engaged with minors throughout the year but with specific focus during October – which is celebrated as Children's Month to expose them to the wider community and the need for life skills, innovative non-traditional education which would support their path to independence and success.

Nature of the Engagement	Expected Outcome
Children were invited to take part in art competitions at a school and CIB clothing outlets island wide	Inculcating little minds of the future with positive thoughts through colours.
Carnival with entertaining events for minors	Providing an opportunity for children to take a break from studies and their busy learning schedules and spend time with parents, family, and friends to create better relationships.
Backyard Wildlife Online Photography Competition amongst Children in collaboration with Wildlife and Nature Protection Society (WNPS)	Creating awareness and building a positive attitude and appreciation for nature while expanding their learning opportunities and providing a forum to develop other skills.
"Grow with me" home gardening competition	Inculcating a 'savings habit culture' not only from a monetary perspective but also by encouraging saving on spending. Home gardening is not only good for the environment but curbs food expenditure when vegetables and fruits can be grown in the backyard and used for family needs.

Kids' Backyard Wildlife Online Photography to Connect with the Natural Environment

'Seylan Tikiri', the leading minor savings account from Seylan Bank, stepped forward as the Official Banking Partner to reward four weekly winners and an overall winner for the most outstanding wildlife and

nature photographs captured in the backyards of children's homes for the Kids' Backyard Wildlife Online Photography competition organized for the third consecutive year by the Wildlife and Nature Protection Society (WNPS) under their "Wild Kids initiative".

Conducted over a period of three months, the competition

encouraged the WNPS 'Wild Kids' to go outside and connect with nature. The entries showed a plethora of wildlife being photographed including spectacular species of birds, butterflies, lizards, spiders and many more, turning backyards into a red carpet for local wildlife. The competition which was open to children between the ages of 6 and 12, received over 600 entries.

“Grow with Me” for “Tikiri” Children’s Savings Account Holders

Given the prevailing effects of inflation, Seylan Tikiri children were encouraged to take part in a home gardening competition, working

in the field with their parents and siblings to spur the imagination and creativity of kids differently by unlocking the potential.

Exporters as Enablers

To support continuous forex inflows and assist our export

customers to operate successfully in the volatile external environment, the Bank held several one-on-one virtual meetings to discuss strategies and the way forward for business growth and viability.

Our Engagements for Achieving Financial Inclusiveness

Re-finance Scheme	Donor	Eligible Sectors	Loans Granted in 2022		Loans Granted in 2021	
			No.	Amount LKR (Mn)	No.	Amount LKR (Mn)
Asian Development Bank SME Line of Credit	Asian Development Bank	Small and Medium Entrepreneurs	62	1,281.56	43	418.29
Asian Development Bank Credit Line for COVID-19 Emergency Response Working Capital Scheme	Asian Development Bank	Businesses/ Entrepreneurs affected by the COVID-19 pandemic	24	125.50	258	1,933.96
Environment Friend Solution (Revolving Fund) II	Japan Bank for International Corporation	Any industry which intends to reduce pollutants/waste	1	21.00	2	11.74
Kapruka Refinance Loans	Coconut Cultivation Board	Coconut cultivation	5	5.11	10	9.908
Asian Development Bank tea loan	Asian Development Bank	Tea smallholders	40	106.79	22	23.962
Asian Development Bank Rooftop Solar Power Generation Project	Asian Development Bank	Solar power Generation	-	-	144	347.923
Saubagya COVID-19 Renaissance Facility	Government of Sri Lanka	Businesses/ Entrepreneurs affected by the COVID-19 pandemic	-	-	33	171.107
Saubagya Loan Scheme	Government of Sri Lanka	Small and Medium Entrepreneurs	35	227.07	14	137.127
Small & Micro Industries Leader & Entrepreneur Promotion Project III - (SMILE III Revolving Fund)	Japan Bank for International Corporation	Small and Medium Entrepreneurs	1	13.95	14	115.951
Swashakthi Refinance	Government of Sri Lanka	Micro, Small & Medium Entrepreneurs	-	-	1	0.250
Interest Subsidy Scheme	Donor	Eligible Sectors				
Credit guarantee and interest subsidy scheme for businesses affected by the COVID-19 pandemic	Government of Sri Lanka	Businesses/ Entrepreneurs affected by the COVID-19 pandemic	-	-	5	51.892
Jaya Isura	Government of Sri Lanka	Small and Medium Entrepreneurs	-	-	2	33.092
New Comprehensive Rural Credit Scheme	Government of Sri Lanka	Agriculture/Cultivation	2,148	504.53	1,385	280.609
Ran Aswenna	Government of Sri Lanka	Agriculture/Cultivation	-	-	2	37.364

Assistance Provided to SMEs and Micro Sectors

Details of SME Loans Description	Year		
	2022	2021	2020
Total no of clients	22,522	19,510	18,872
Loan portfolio (LKR Mn)	82,996	92,628	100,650
Details of Micro Finance Loans			
Total no of clients	5,226	8,554	8,668
Loan portfolio (LKR Mn)	587	770	1,537

Our Hands-on Way of Life

The Bank continues to engage with various community groups and small commercial enterprises by sponsoring events and projects to support the empowerment and growth of the community at large. During the year under review, the following contributions were made by the Bank.

HARMONISED WITH THE COMMUNITY

Depiction	Focus	Amount LKR Mn	Nature of Engagement P/C
Deeds on social welfare, recreation & health	Communal CSR for potential relationships and collective efforts	5.06	P
Help grooming students in total quality education	Exposure for generating responsible and positively contributing citizens	4.45	P
Knowledge sharing and factoring collective efforts	Collaboration with professional, academia & other potential entities	1.50	P
Infrastructural assistance on religious & cultural observations	Peace and prosperity	0.25	P
Programmes to promote exports & entrepreneurship	Common mandates in entrepreneurship & resilience of exporters	1.02	P
Sports and outbound activities in schools & working professionals	Sound body and mind	0.70	P
<i>P - Pro bono C - Commercial</i>	TOTAL	12.98	

Due Diligence through Training and Capacity Building

Details	2022	
	No of Programmes	No of Participants
Internal/External/Foreign	135	25,755
General banking practices	38	3,483
Anti-money laundering/KYC	* 1	239
System Security	* 1	233
Accounting/Auditing/Compliance and Other specialized areas	95	21,800

*Online training platform developed herein

KYC – Know Your Customer / Customer Due Diligence and Information Security

Bank's Governance Tied with Transparency and Compliance

Compliance	Level/Status of Compliance and Action Taken
Percentage and the total number of business units analysed for risks concerning corruption and the percentage of employees trained in the Bank's anti-corruption policies and procedures.	Prevailing gaps if any, in training and development needs are identified through audits. Providing training programmes which enforce and reinforce good corporate governance, internally. The code of conduct is signed by every employee, to be it their responsibility to comply with.
Action(s) taken in response to incidents of corruption.	Stringent internal controls and protocols, audit procedures and staff disciplinary codes enforced across every operation and stakeholder engagement activity.
Participation in public policy development.	At the invitation of the Government, the Bank presents proposals and engages in formulating new policies for consideration and inclusion in the Government budget and tax laws, the Sustainable Banking Initiative of the SLBA, the development of a sustainable financing roadmap of the Central Bank of Sri Lanka and the implementation of Accounting Standards. We engaged with Chartered Accountants Sri Lanka on accounting treatments and experience sharing.
The total value of financial and in-kind contributions to political parties and politicians.	No contributions were made to political parties or politicians. The Bank's business was conducted at arm's-length. The Bank has a policy on politically exposed persons and maintains a strict adherence to it. the same.
The number of legal actions taken for anti-competitive behaviours.	The Bank consistently complies with the country's laws and regulations in conducting its marketing campaigns. Truth and transparency in advertising are followed when displaying banners, conducting sales campaigns, roadshows and using public address systems. No legal action was taken against the Bank for anti-competitive behaviour during the year.
The monetary value of significant fines and the total number of non-monetary sanctions for non-compliance with laws and regulations.	No fines or non-monetary sanctions were made against the Bank during the year. All laws and/or regulations applicable to the Bank were complied with. To enable effective monitoring, a monthly compliance report is tabled at Board meetings.

Future Outlook

The forthcoming year will likely be a challenge for creating community capital considering the uncertainties prevailing in the external operating environment. The Bank will however, remain committed to the community groups and continue with our efforts to support their growth and empowerment for financial literacy.

Our "Seylan Pahasara" Library Revival project will continue to reap benefits for students from less privileged sections of society, and it is expected that we will reach our 225th milestone in refurbishing and donating books to school libraries.

The Bank will continue to support the SME and micro sectors to grow their businesses and encourage them to adopt convenient banking options such as digital and online banking channels.

BUSINESS UNIT PERFORMANCE

The Bank's business units and the supporting functions facilitate the streamlined functioning of our operations while driving value creation across stakeholder groups. The Bank's main business units comprise Branch Banking, Corporate Banking, Retail Banking, Treasury Services, International and Trade Services. The Support Functions deliver their back - end support to grow the business. Working cohesively, both business units and support functions remain vigilant of changing conditions in an operational context and within the external economic environment. This has resulted in the Bank proficiently adapting to and evolving with external changes while focusing on transitioning to create new paradigms of value for the business and our stakeholders.

Key Business Unit	2022 Overview				Strategies for 2023																										
	Strategies in 2022	Challenges	Key Milestones	KPI Achievement																											
Branch Banking (includes Branch Credit, Corporate Credit Branches and Liability Product Management)	<ol style="list-style-type: none"> Higher lending weightage on the Export Sector to fulfil region-wise customer Foreign Currency (FCY) needs as much as possible. Close and regular monitoring of branches to overcome challenges and to support customers to navigate daily banking needs. Higher focus on the acquisition of new Current Accounts & Savings Accounts (CASA). An aggressive approach was adopted to grow pawning advances as the SME sector faced many challenges and some businesses were forced to close while others faced cash flow constraints due to the prevailing economic slowdown. 	<ol style="list-style-type: none"> Due to the increase in current rates, retaining low cost deposits. Disruptions to branch operations and availability of consistent services during the first 8 months of the year. 	<ol style="list-style-type: none"> Other Income reflected a remarkable growth despite the prevailing economic challenges. CASA acquisition rate stands at 80%. Branch profitability recorded a YoY growth of 203.79%. Pawning advances growth recorded at 39%. 	<table border="1"> <thead> <tr> <th rowspan="2">KPI</th> <th rowspan="2">YoY Growth</th> <th colspan="2">Budget Achievement</th> </tr> <tr> <th>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Deposits</td> <td>9.83%</td> <td></td> <td></td> </tr> <tr> <td>Loans and Advances</td> <td>0.10%</td> <td></td> <td></td> </tr> <tr> <td>Net Interest Income</td> <td>100.72%</td> <td></td> <td></td> </tr> <tr> <td>Other Income</td> <td>30.31%</td> <td></td> <td></td> </tr> <tr> <td>Profits</td> <td>203.79%</td> <td></td> <td></td> </tr> </tbody> </table>	KPI	YoY Growth	Budget Achievement		2022	2021	Deposits	9.83%			Loans and Advances	0.10%			Net Interest Income	100.72%			Other Income	30.31%			Profits	203.79%			<ol style="list-style-type: none"> More resources will be diverted for recoveries. Recoveries of Non Performing Advances (NPA) will be prioritised, and the recovery process will be strengthened. Re-location of any low-performing centres and branches to more lucrative locations. Fifty new CRMs (Cash Re-Cycler Machine) to be assigned to the branch network. Branches will be encouraged to on-board customers to digital platforms to improve customer convenience and service quality.
KPI	YoY Growth	Budget Achievement																													
		2022	2021																												
Deposits	9.83%																														
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Other Income	30.31%																														
Profits	203.79%																														
Corporate Banking	<ol style="list-style-type: none"> Higher focus placed on growing fee-based income. Focus on Exports and CASA. Aggressively canvassed deposit customers. Close monitoring of accounts and maintaining asset quality. 	<ol style="list-style-type: none"> Selective lending based on challenging market and economic condition and managing client expectations, some of whom were also impacted by the restrictions and limitations on imports. The construction sector and related sub-sectors recorded a severe cutback, negatively impacting cash flows and resulting in their inability to service their liabilities. 	<ol style="list-style-type: none"> Two projects, 10MW ground mounted solar project, the 1st Agri-Voltaic Solar Power Plant in Sri Lanka, and a high-tech sugar factory and combined Extra Neutral Alcohol (ENA) plant/ 4MW power plant/ Bio Methanation plant, funded by the Bank were commissioned in 2022. 	<table border="1"> <thead> <tr> <th rowspan="2">KPI</th> <th rowspan="2">YoY Growth</th> <th colspan="2">Budget Achievement</th> </tr> <tr> <th>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Deposits</td> <td>7.38%</td> <td></td> <td></td> </tr> <tr> <td>Loans and Advances</td> <td>14.03%</td> <td></td> <td></td> </tr> <tr> <td>Net Interest Income</td> <td>148.57%</td> <td></td> <td></td> </tr> <tr> <td>Other Income</td> <td>42.34%</td> <td></td> <td></td> </tr> <tr> <td>Profits</td> <td>-258.20%</td> <td></td> <td></td> </tr> </tbody> </table>	KPI	YoY Growth	Budget Achievement		2022	2021	Deposits	7.38%			Loans and Advances	14.03%			Net Interest Income	148.57%			Other Income	42.34%			Profits	-258.20%			<ol style="list-style-type: none"> Continued focus on exports related business, Foreign Currency Banking Unit (FCBU) and CASA. Improve overall ROA of the unit. Promote cross selling products in a more structured manner collaborating with the product owners.
KPI	YoY Growth	Budget Achievement																													
		2022	2021																												
Deposits	7.38%																														
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BUSINESS UNIT PERFORMANCE

Key Business Unit	2022 Overview				Strategies for 2023																										
	Strategies in 2022	Challenges	Key Milestones	KPI Achievement																											
Retail Banking (includes Housing, Pawning, Cards, Leasing and Personal Loans)	<ol style="list-style-type: none"> Continued our market presence in a focused manner by carefully evaluating risk profiles and ensuring stringent credit criteria. Centrally handled the follow-up and recoveries/restructuring of certain stressed portfolios. Identified less risky sectors and focused on identified purposes. Simplification of existing security documents on leasing. Focus on Debit Card spending, by increasing customer awareness of POS usage. Strengthened the Seylan Credit Cards position with key attributes and values. 	<ol style="list-style-type: none"> Disruptions to operations and availability of consistent services during the first 8 months of the year. 	<ol style="list-style-type: none"> Pawning advances growth of LKR 8.4 Bn during 2022. NASCO (National Sales Congress) organised by the Sri Lanka Institute of Marketing awards were received by the retail sales teams. Introduced "Speed Drive" option on leasing. Soft launch of the first ever loyalty platform for cards. 	<table border="1"> <thead> <tr> <th rowspan="2">KPI</th> <th rowspan="2">YoY Growth</th> <th colspan="2">Budget Achievement</th> </tr> <tr> <th>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Personal Loans</td> <td>-2.70%</td> <td></td> <td></td> </tr> <tr> <td>Housing Loans</td> <td>-0.22%</td> <td></td> <td></td> </tr> <tr> <td>Pawning</td> <td>38.91%</td> <td></td> <td></td> </tr> <tr> <td>Leasing</td> <td>-4.56%</td> <td></td> <td></td> </tr> <tr> <td>Cards</td> <td>15.93%</td> <td></td> <td></td> </tr> </tbody> </table>	KPI	YoY Growth	Budget Achievement		2022	2021	Personal Loans	-2.70%			Housing Loans	-0.22%			Pawning	38.91%			Leasing	-4.56%			Cards	15.93%			<ol style="list-style-type: none"> Review and revise the lending criteria for better performance. Ensure the retail client base is on-boarded into digital banking channels at the time of commencing the initial relationship. Mandatory cross selling of multiple products and services simultaneously through promotions, tie ups and special concessions. Launch a loyalty programme officially to Premier and Platinum credit card customers.
KPI	YoY Growth	Budget Achievement																													
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Pawning	38.91%																														
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Cards	15.93%																														
Treasury Operations	<ol style="list-style-type: none"> To ensure adequate liquidity is built-up to meet repayment of maturing liabilities as and when they fall due. Maintaining the Statutory Liquid Assets Ratio (SLAR), Liquidity Coverage Ratio (LCR), and Statutory Reserves Requirement (SRR) to meet the regulatory requirements. Prudent and efficient management of all foreign currency-denominated collections and payments. Maintained a continuous dialogue with the Bank's Board of Directors, Corporate Management and the Regulator to update on market conditions and developments impacting the Bank and the situation at hand, for guidance and to create awareness. 	<ol style="list-style-type: none"> Extremely volatile and challenging with government security yields climbing to unprecedented levels dragging bank deposits, loan interest and inflation, several downgrades in country ratings, pre-emptive default of Sri Lanka's foreign debt, payment of USD-denominated Sri Lanka Development Bonds in LKR, unprecedented hike in policy rates, a shortfall in both rupee and USD liquidity in the market and restrictions in imports, etc. The country's rating downgrades and anticipated default of foreign debt kept counter-party banks from extending credit to local banks which resulted in most banks operating within their own accumulated reserves. The markets also witnessed the transition from LIBOR and several hikes in U.S. policy rates followed by other major centres. 	<ol style="list-style-type: none"> Treasury Division continued its journey as the Bank's premier profit centre, successfully managing all its product portfolios amidst volatile local and international market conditions to maximise contribution to the Bank's bottom line. The Bank maintained all statutory ratios well above the regulatory thresholds, despite various challenges faced during the year. 	<table border="1"> <thead> <tr> <th rowspan="2">KPI</th> <th rowspan="2">YoY Growth</th> <th colspan="2">Budget Achievement</th> </tr> <tr> <th>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Net Interest Income</td> <td>10.73%</td> <td></td> <td></td> </tr> <tr> <td>Forex Income</td> <td>25.85%</td> <td></td> <td></td> </tr> <tr> <td>Profits</td> <td>-32.01%</td> <td></td> <td></td> </tr> </tbody> </table>	KPI	YoY Growth	Budget Achievement		2022	2021	Net Interest Income	10.73%			Forex Income	25.85%			Profits	-32.01%			<ol style="list-style-type: none"> Engage in negotiations with several overseas counter-parties and lending agencies to source funding lines. Negotiations with counter-parties to increase forex trading limits. Diversify the liquid asset portfolio to overcome the current over-dependence on investments in government securities. Focussed allocation of scarce financial resources towards products yielding the highest revenues and margins, to enable maximisation of profitability. The treasury corporate sales staff will be deployed to acquire new treasury and trade customers, treasury product sales and customer advisory services in relation to treasury and high value deposit mobilisation. 								
KPI	YoY Growth	Budget Achievement																													
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Key Business Unit	2022 Overview				Strategies for 2023																						
	Strategies in 2022	Challenges	Key Milestones	KPI Achievement																							
International Operations (Trade Finance, International Financial Services and settlement & Collection)	<ol style="list-style-type: none"> A greater emphasis being given to improve foreign currency inflows by growing the Exports Book. Branches were instructed to on-board more diversified export clients with the objective of improving foreign currency inflows. The Trade tariff was revised to be in line with the market, and the limited liquid currency was allocated based on necessity. Frequent negotiations with Correspondent Banks for higher rebates on trade transactions continued. Expanded remittance partners for greater customer convenience. Introduced benefit schemes for remitters and their beneficiaries. Placement of staff representatives overseas to service non-resident customers and extend convenience for them to effect and track remittances via tech-based products. 	<ol style="list-style-type: none"> The regulations imposed brought in new challenges locally as well as globally. Sudden relaxation of the LKR/USD exchange rate affected importers heavily as the cost escalated drastically. Certain sectors faced business closure as some imports were termed "Temporary Suspended" and banned. As the country's status declined to default status, Correspondent Banks reduced their appetite for exposures of Sri Lankan Banks resulting a huge challenge to facilitate funded and non-funded lines for trade transactions. Global banks charged high prices to cover risk premia and imposed low country limits to reduce the country exposure. 	<ol style="list-style-type: none"> International operations recorded the highest ever income during the year despite tough market conditions where imports were heavily restricted. The Bank collaborated with "Lanka Remit", the National Remittance Mobile Application launched by LankaClear, to connect and provide customers with many services relating to remittances. 	<table border="1"> <thead> <tr> <th rowspan="2">KPI</th> <th rowspan="2">YoY Growth</th> <th colspan="2">Budget Achievement</th> </tr> <tr> <th>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Non-Funding Income - IMP</td> <td>72.57%</td> <td>●</td> <td>●</td> </tr> <tr> <td>Non-Funding Income - EXP</td> <td>42.12%</td> <td>●</td> <td>●</td> </tr> <tr> <td>Import Volumes</td> <td>-51.91%</td> <td>●</td> <td>●</td> </tr> <tr> <td>Export Volumes</td> <td>-13.92%</td> <td>●</td> <td>●</td> </tr> </tbody> </table>	KPI	YoY Growth	Budget Achievement		2022	2021	Non-Funding Income - IMP	72.57%	●	●	Non-Funding Income - EXP	42.12%	●	●	Import Volumes	-51.91%	●	●	Export Volumes	-13.92%	●	●	<ol style="list-style-type: none"> In order to counter the USD issue more focus is to be given to import clients who maintain foreign currency accounts so that funding could be sourced to meet the import requirements. Diversifying the trade portfolio, steps to be taken to canvass trade clients from diversified fields. <ul style="list-style-type: none"> It is planned to negotiate with the Asian Development Bank to partner the "Trade Finance Programme (TFP)" where ADB will extend funded and non-funded credit lines at relatively low pricing. Expansion of remittance partners targeting key corridors. Introduce benefit schemes for remitters and their beneficiaries. Partnership with sub-agents to give wider accessibility to clients. Tie-ups with App based remittance service providers.
				KPI			YoY Growth	Budget Achievement																			
2022	2021																										
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Support Functions Overview

Operations

Strategies - 2022

- Cost containment within the unit reviewed every aspect of service to cut down cost without compromising service quality.
- Measures implemented to improve the operational efficiency & effectiveness
- Implement cost-saving initiatives covering maintenance and service agreements with the Bank.
- Increased the supplier database and used multiple sources for material supply.
- Centralising of processes - (cheque archiving process and mailing of Cheque Return Notice to customers).

Key Milestones - 2022

- Completed the installation of the 100th Cheque Deposit Kiosk (CDK) in the Bank's Network.
- Initiated the E- bidding solution (including supplier registration) process.

Strategies - 2023

- Introduction of post-dated cheque facility via CDK
- Installation of solar panels in selected branches.
- Reviewing floor area utilisation to optimise usage.
- Reduce supply chain risks by sourcing from competitive suppliers and evaluating alternatives.

BUSINESS UNIT PERFORMANCE

Marketing

Strategies - 2022

- Focused on key segments and fewer activities which would make a greater impact.
- Increased the threshold for promoting retail lending for selected industries.
- Cost-effective campaigns for credit cards.

Key Milestones - 2022

- Refer page 32 for rewards and recognition.

Strategies - 2023

- Focus marketing efforts on the export segment as a key driver for corporate brand/SME and business growth.
- Concentrate on taking a tactical approach for promoting selective products.
- Strengthen the digital banking footprint and penetration through payroll, IPG (Internet Payment Gateway) and the merchant portal.

Information Technology

Strategies - 2022

- Continuous security enhancements in-line with technology developments and the increasing dependency on digital banking for the future generations.
- Implement and execute APIs (Application Programming Interface) for banking services.
- Automation and enhancing certain system features supported Business to generate more revenue and to save cost.

Key Milestones - 2022

- Launch of state-of-the-art ATM and CRM solutions.
- Launch of SeylanPay, our payments-specific mobile app.
- Implementation of eKYCs

Strategies - 2023

- Continuous improvements in banking systems to support changing banking operations within a challenging environment.
- Greater digital and channel adoption for higher convenience and to fulfil customer expectations.
- Improvements to APIs and cyber-security measures for safer online and digital banking operations.

Refer the pages 38 to 49 for the Human Resource related strategies & pages 34 to 37 for the Digital Banking related strategies of the Bank. In addition, there are other support functions such as Legal, Recoveries, Credit Administration, Finance, Risk, Internal Audit, Compliance, etc. to support the business to improve growth efficiency and guide on the defensive strategies.

SUSTAINABILITY PERFORMANCE INDICATORS

Stakeholder Group	Indicator of Performance	Achievement					Indicator
		2022	2021	2020	2019	2018	
Investors	Economic value added (LKR Mn)	18,311	15,892	13,867	15,280	14,443	
	Profit after tax (LKR Mn)	4,712	4,581	3,011	3,680	3,189	
	Earnings per share (LKR)	8.16	7.93	5.64	6.89	5.97	G2
	Return on equity (%)	8.85	9.07	6.43	9.29	9.27	
	Return on average assets	0.74	0.79	0.56	0.75	0.73	
	Dividend per share (LKR)	2.00	3.00	1.50	2.00	2.50	
	Customer deposits (LKR Mn)	547,316	488,653	440,303	400,731	357,560	G1
	Number of KYC anti-money laundering programmes [NJ/ participants (P)]	239P	218P	512P	726P	1,223P	G2
	Penalties arising from non-compliance of laws	Nil	*	Nil	Nil	Nil	
Customers	Number of banking centres	171	171	172	173	170	
	Number of ATMs	215	214	215	215	207	
	Total customer advances (Gross) (LKR Mn)	490,932	465,905	409,301	389,991	336,775	G1
	Number of housing loans	5,276	5,735	5,254	5,703	5,738	
	Value of housing loans (LKR Mn)	17,833	17,899	16,731	16,765	15,690	
	Housing loans to total loans (%)	3.64	3.84	4.09	4.30	4.66	G2
	Number of 'Tikiri' kids events held	4	15	27	104	136	GRI 413-1
	Number of student saving centres	98	98	98	98	98	G1
	Number of customer complaints	4,865	5,786	4,534	4,824	4,620	GRI 418-1
Employees	Turnover rate (%) (Including sales staff)	12.23	7.56	5.88	9.26	6.84	GRI 401-1
	Permanent employees (%)	90	95	94	88	89	G1
	Average benefits per employee (LKR '000)	2,540	2,203	2,235	1,970	1,741	GRI 405-2
	Staff covered by health plan (%)	100	100	100	100	100	GRI 403-1
	Women employees (%)	45	43	43	43	43	GRI 405-1
	Women in corporate and middle management (%)	32	31	29	28	27	GRI 405-1
	Union membership (%)	88	92	91	90	93	G1
	Number of pending human rights cases against the Bank	Nil	Nil	Nil	Nil	Nil	Nil
	Number of participants on external and foreign training	139	210	94	341	280	GRI 404-2
	Ratio of standard entry level wage	Above minimum	Above minimum	Above minimum	Above minimum	Above minimum	G2
Proportion of Senior Management from local community (%)	100	100	100	100	100		

* Please refer to page no.57 in Annual Report 2021

SUSTAINABILITY PERFORMANCE INDICATORS

Stakeholder Group	Indicator of Performance	Achievement					Indicator	
		2022	2021	2020	2019	2018		
Community	Contribution on the community projects (LKR Mn)	7.52	3.32	26.75	15.37	8.81	GRI 413-1	
	Contribution on education-related pursuits (LKR Mn)	5.47	0.14	5.42	8.81	14.70	GRI 413-1	
	Number of loans granted under 'Seylan Scholar'	Nil	6	14	17	24	GRI 413-1	
	Number of SME loans	22,522	19,510	18,872	22,148	26,161	GRI 413-1	
	Value of SME loans (LKR Mn)	82,996	92,628	100,650	100,708	93,882	GRI 413-1	
	Number of micro finance loans	5,226	3,237	8,668	3,478	1,704	-	
	Value of micro finance loans (LKR Mn)	587	740	1,537	837	220	-	
Suppliers	Purchases from locally based suppliers (LKR Mn)	546.31	469.60	525.56	589.59	567.39	G2	
Environment	Electricity consumed, (Units KWH) 000	7,321	7,449	7,651	8,413	8,518	GRI 302-1	
	Electricity consumption - units per employee (kWh)	2,320	2,366	2,353	2,503	2,547	GRI 302-1	
	Water consumption - Units	69,063	93,370	85,830	77,370	77,226		
	Water consumption - Units per employee	22	30	26	23	23		
	Generator diesel consumption (litres)	206,633	48,093	65,460	74,626	63,447		
	Vehicle petrol consumption (litres)	16,515	8,128	8,238	11,426	16,860	G3	
	Vehicle diesel consumption (litres)	29,235	47,860	43,157	52,940	56,442		
	Lubricant consumption (litres)	437	499	595	767	480		
	Total business travels (km)	296,434	497,754	486,523	668,725	586,183		
	Packets of A4 paper used	12,963	16,909	18,878	23,984	24,215		
	Weight of A4 paper (kg)	159,445	202,908	226,536	287,808	290,580	GRI 301-1	
	A4 packets usage per business unit	69	90	100	126	130		
	Waste paper recycled (kg)	100,035	96,755	76,387	102,026	63,892		
	Savings from recycled papers							
	Trees (No.)	1,701	1,645	1,299	1,734	1,086		
	Water (litres)	3,179,112	3,074,874	2,427,579	3,242,386	2,030,488	G3	
	Electricity (kWh)	400,140	387,020	305,548	408,104	250,568		
	Oil (litres)	175,561	169,805	134,059	179,056	112,130		
	Land fill (cubic meters)	300	290	229	306	192		
	Carbon footprint (kg)	20,006	19,351	15,277	20,405	12,778		
The Government and the Government Institution	Income tax (LKR Mn)	1,917	1,447	1,100	1,418	1,477		
	Value added tax and Nation building tax on financial services (LKR Mn)	2,647	1,935	1,528	**2767	**2113	G2	
	Social security contribution levy	127	NA	NA	NA	NA		
	Total tax (VAT/NBT/SSCL and Income tax % of PBT)	71	56	64	** 53	**53		

** Includes debt repayment levy

INDEPENDENT ASSURANCE REPORT



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(Chartered Accountants)
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INDEPENDENT ASSURANCE REPORT TO SEYLAN BANK PLC

We have been engaged by the directors of Seylan Bank PLC ("the Bank") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 December 2022. The Sustainability Indicators are included in the Seylan Bank PLC Integrated Annual Report for the year ended 31 December 2022 (the "Report").

Assured Sustainability Indicators	Integrated Annual Report Page
Key Financial Highlights	03

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Sustainability Performance Indicators	71 to 72
Information provided on following	
Investor Resilience with Financial Stability	20 to 25
Seamless Customer Service	26 to 33
Step into Our Digital Future	34 to 37
Empowering Employees	38 to 49
Our Business Partners	50 to 55
Supporting Environmental Protection	56 to 61
Harmonised with the Community	62 to 66

Our conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Reasonable Assurance Sustainability Indicators

In our opinion, in all material respects, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 December 2022, in all material respects, has been prepared and presented by the management of Seylan Bank PLC in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Limited Assurance Sustainability Indicators

Based on the evidence we obtained from the assurance procedures performed, as described below we are not aware of any material misstatements that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 December 2022, have not in all material respects, been prepared and presented by the management of Seylan Bank PLC in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Management's Responsibility

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

These responsibilities includes establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our responsibility

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

INDEPENDENT ASSURANCE REPORT



SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

Our firm applies Sri Lanka Standard on Quality Management (SLSQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reasonable assurance over Reasonable Assurance Sustainability Indicators

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines, used by the Bank in preparing and presenting the Reasonable Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Bank, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

Limited assurance on the Assured Sustainability Indicators

Our limited assurance engagement on the Limited Assurance Sustainability Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of management to gain an understanding of the Bank's processes for determining material issues for the Bank's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Bank;
- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Bank for the purpose of assisting the Directors in determining whether the Bank's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines and for no other purpose or in any other context.

Restriction of use of our report

This report has been prepared for the Directors of Seylan Bank PLC for the purpose of providing an assurance conclusion on the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators included in the Seylan Bank PLC Integrated Annual Report for the year ended 31 December 2022 and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Seylan Bank PLC, or for any other purpose than that for which it was prepared.

CHARTERED ACCOUNTANTS
Colombo

22 February 2023

In Sync To Preserve & Enrich Value

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BOARD OF DIRECTORS



Mr W M R S Dias

Non-Executive Director/
Chairman

Qualifications :

FCIB (UK), LL.B, Hubert H Humphrey Fellow

Appointed to the Board :

29 May 2015 as a Non-Executive Director and was appointed as the Chairman on 9 May 2016.

Areas of Expertise:

Banking and Finance

Membership in Board

Subcommittees :

Board Nomination Committee, Board Governance and Compliance Committee, Board Integrated Risk Management Committee and Board Marketing and Product Development Committee

Skills and Experience :

Senior Banker with long years of banking experience and lastly served as the Managing Director/Chief Executive Officer of Commercial Bank of Ceylon PLC. Mr Dias has served on the boards of Commercial Development Company PLC, Commercial Insurance Brokers (Pvt) Limited, Lanka Clear (Pvt) Limited, Lanka Financial Services Bureau Limited and was a Council Member of the Employers' Federation of Ceylon.

Mr Dias presently serves on the boards of many corporates.



Mr Kapila P Ariyaratne

Director/Chief Executive Officer

Qualifications :

BSc (Honours - First Class), [University of Colombo]

Appointed to the Board :

16 February 2015 as an Executive Director.

Areas of Expertise:

Banking and Finance

Membership in Board

Subcommittees :

Board Credit Committee, Board Sustainability Committee, Board Marketing and Product Development Committee, Board Integrated Risk Management Committee, Board Strategic Plan Committee and Board Information Technology Committee

Skills and Experience :

Mr Kapila Ariyaratne joined the Bank in March 2011 as the General Manager/Chief Executive Officer and was appointed to the Board as an Executive Director on 16 February 2015. He has over 37 years' experience in the banking sector having worked for several local and international banks acquiring an in depth knowledge in banking and finance. Mr Ariyaratne is the Chairman of the Bank's subsidiary, Seylan Developments PLC and also serves on the Board of Lanka Financial Services Bureau Ltd. He is the past Chairman of the Sri Lanka Banks' Association and serves as a Director of the Credit Information Bureau of

Sri Lanka. He is also a member of the present Governing Board of the Institute of Bankers of Sri Lanka, Council Member of the Employers' Federation of Ceylon, member of the Stakeholder Engagement Committee of Central Bank of Sri Lanka and the National Payments Council under the Central Bank of Sri Lanka.



Mr S Viran Corea

Non-Executive Director

Qualifications:

Bachelor-of-Laws (LL.B) and Master-of-Laws (LL.M) [University of Colombo], Attorney-at-Law

Appointed to the Board:

14 May 2015 as a Non-Executive Director.

Areas of Expertise:

Litigation, Legal Appeals (Civil, Employment and Company Law), Public Law

Membership in Board

Subcommittees:

Board Governance and Compliance Committee, Board Human Resources and Remuneration Committee, Board Credit Committee, Board Sustainability Committee and Related Party Transactions Review Committee

Skills and Experience :

Counsel and Legal Consultant with over 25 years' experience at the Bar.

His experience in private practice has included the fields of constitutional and administrative

law, human rights law, commercial law, industrial law, arbitration, contract law and land law. He has been involved as counsel in a number of landmark cases of national and public importance reported in the Sri Lanka Law Reports. He has served as a State Counsel at the Attorney General's Department of Sri Lanka for several years and has represented in court and advised Government Departments and state institutions in several important matters. At present, he serves as a legal advisor to many companies and organizations.

In 2012, he was picked as an Asia 21 Young Leader by the Asia Society.



Mr Anushka S Wijesinha

Independent Director/Senior Director

Qualifications:

MA Economics and Development [University of Leeds Business School, UK], BSc (Honours) Economics [University College London, UK]

Appointed to the Board:

1 December 2016 as an Independent Director and was appointed as the Senior Director on 23 September 2022.

Areas of Expertise:

Economics, Development Strategies and International Trade

Membership in Board

Subcommittees:

Board Credit Committee (Chairman), Board Strategic Plan Committee (Chairman), Board Nomination Committee (Chairman),

Related Party Transactions Review Committee, Board Marketing and Product Development Committee and Board Information Technology Committee

Skills and Experience :

An Economist with expertise in Sri Lanka, Pakistan, Myanmar, Maldives and South Korea. He has published national and international academic publications, focusing on international trade and competitiveness, innovation and private sector development. Some of the important positions held by Mr Wijesinha include; being an Advisor to the Minister of Development Strategies and International Trade; Chief Economist of the Ceylon Chamber of Commerce; Research Economist and Unit Head at Institute of Policy Studies of Sri Lanka and Economist to the Presidential Commission on Taxation 2009/10. Mr Wijesinha is an international consultant to many of the international development organizations and serves on the boards of leading corporates. He is an Asia Development Fellow of the Korea Development Institute and member of the World Economic Forum's 'Global Future Council on Innovation Ecosystems'. He recently co-founded a public policy think tank, the Centre for a Smart Future. Mr Wijesinha is a member of Stakeholder Engagement Committee of Central Bank of Sri Lanka.



Ms Sandya K Salgado

Independent Director

Qualifications:

MBA (International) [Edith Cowan University, Perth, Australia], BA (English, French, Linguistics) [University of Kelaniya, Sri Lanka], MCIM-UK

Appointed to the Board:

1 December 2016 as an Independent Director.

Areas of Expertise:

Marketing, Strategic Communications and Sustainable Business Management

Membership in Board

Subcommittees:

Board Sustainability Committee (Chairperson), Board Marketing and Product Development Committee (Chairperson), Board Human Resources and Remuneration Committee and Board Strategic Plan Committee

Skills and Experience:

Ms Sandya Salgado is a Strategic Communications and Sustainable Business Management specialist with over three decades of experience across the financial and banking sectors. She has been trained at the Johns Hopkins University in Baltimore USA in Strategic Communications and was the CEO of Ogilvy Action for twelve years, was the Senior Communications Specialist at the World Bank for the World Bank funded projects in Sri Lanka and Maldives until 2015. Ms Salgado was an awardee of the title "Marketer of the Year" in 2001 and "Zonta Woman of Achievement" in 2006. She was also selected as the "Woman of Inspiration" by Women in Management and IFC. She is an honorary member of the board of management of the 1990 Suwaseriya Ambulance Service.

BOARD OF DIRECTORS



Mr D M D Krishan Thilakaratne

Non-Executive Director

Qualifications :

AIB (Sri Lanka)
CIMA (UK)

Appointed to the Board :

1 October 2018 as a Non-Executive Director.

Areas of Expertise:

Banking and Finance

Membership in Board Subcommittees :

Board Credit Committee, Board Sustainability Committee, Board Marketing and Product Development Committee and Board Human Resources and Remuneration Committee

Skills and Experience :

Mr Krishan Thilakaratne is the Director/CEO of LOLC Finance PLC and a Member of the Senior Management Team of LOLC Holdings PLC.

Mr Thilakaratne is also the Director of LOLC Central Asia covering Kyrgyzstan, Kazakhstan, Tajikistan and Uzbekistan. He serves in the Boards of Fazo S Micro Deposit Organization in Tajikistan, OJSC Micro Financ Company "ABN" in Kyrgyzstan and is appointed as the Director of R Finance in Kazakhstan. He is an Advisor to "Lombard Micro Finance Company" in Tajikistan.

Mr Thilakaratne is a Board member of Commercial Insurance Brokers (Pvt) Ltd in Sri Lanka. He was a board member of Credit

Information Bureau of Sri Lanka (CRIB), Prasac Micro Finance Institution Ltd, Cambodia and the past Chairman of the Finance Houses Association of Sri Lanka (FHASL), the Apex body for Non-Bank Financial Institutions (NBFIs) in Sri Lanka.

He is a member of Chartered Institute of Management Accountants (CIMA) UK and Associate member of Institute of Bankers of Sri Lanka (AIB). He has followed Strategic Leadership training programme in Micro Finance at Harvard Business School, USA and counts over 26 years of experience in Management, Credit, Channel Management, Marketing, Factoring, Portfolio Management and Islamic Finance. He conceptualized and introduced Islamic Finance to LOLC Group in 2007. He is a Guest Speaker at International Islamic Finance Forums.



Mr D R Abeyesuriya

Independent Director

Qualifications :

FCMA, CGMA, MBA [Monash University, Australia], CFA

Appointed to the Board :

17 October 2018 as an Independent Director.

Areas of Expertise:

Finance and Investment Management

Membership in Board

Subcommittees:

Board Integrated Risk Management Committee (Chairman), Related Party Transactions Review

Committee (Chairman), Board Information Technology Committee (Chairman), Board Audit Committee, Board Human Resources and Remuneration Committee and Board Strategic Plan Committee

Skills and Experience :

Mr D R Abeyesuriya is currently the Director/CEO of Senfin Securities Limited and holds directorships in several other corporates. He is also the President of the Association of Alternative Financial Institutions, Council Member of Sri Lanka Institute of Directors, Co-Chairman of the Finance and Capital Committee of the Ceylon Chamber of Commerce and has served in several committees of the Central Bank of Sri Lanka such as the Codes of Conduct Review Committee, Board Risk Oversight Committee and Financial System Stability Consultative Committee and a permanent member of the Financial Sector Reforms Committee, a Prime Ministerial Task Force and was twice appointed as a Commission Member of the Securities and Exchange Commission of Sri Lanka.

Mr Abeyesuriya was named as "Lifetime Achievement" award laureate by CFA Institute, USA in 2017 for his outstanding work and dedication to the investment management profession.



Mr D M Rupasinghe

Independent Director

Qualifications :

BA (Honours) Economics [University of Kelaniya], MA Economics [Colorado State University-Fort Collins, USA]

Appointed to the Board :

1 October 2021 as an Independent Director.

Areas of Expertise:

Finance, Economics, Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT)

Membership in Board**Subcommittees:**

Board Governance and Compliance Committee (Chairman), Board Audit Committee, Board Integrated Risk Management Committee and Board Nomination Committee

Skills and Experience :

Mr D M Rupasinghe was the former Assistant Governor of the Central Bank of Sri Lanka and has also held the positions of Head/Director of the Financial Intelligence Unit of Sri Lanka and Controller of Exchange among other key positions in the Central Bank. He has completed several post-graduate assignments/trainings at Harvard University, Western Australia University and National University of Singapore.

He is a recognized expert in finance/economics and in particular, in the areas of Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT).

He has also held many important positions at various important committees and institutions in Sri Lanka during his career as a member/working group member/Advisor of different committees and forums and also as a member of the Special Presidential Task Force on Recovery of State Assets of Government of Sri Lanka.

Mr Rupasinghe was the Country Researcher for Research Projects on "Socio-economic Impacts of Hydro-Metrological Disasters", UN-ESCAP- Thailand and "The impact and Policy Response of Oil Price Shocks in Sri Lanka" SEACEN Centre, Malaysia. He also worked closely with the Financial Action Task Force (FATF) and the regional FATF Secretariats in particular with Asia Pacific Group of Money

Laundering (APG) for over a decade and served as a Co-chair of APG and its Governing Committee Member thereafter. He also served as Egmont Group (of Financial Intelligence Units) Governance Committee Member and Asia Pacific Regional Representative until his retirement from the Central Bank in 2020.



Mr L H A Lakshman Silva

Independent Director

Qualifications :

B.Com (Special) [University of Kelaniya], MBA [Postgraduate Institute of Management of the University of Sri Jayewardenepura]

Appointed to the Board:

18 July 2022 as an Independent Director.

Areas of Expertise:

Banking and Finance

Membership in Board**Subcommittees:**

Board Human Resources and Remuneration Committee (Chairman), Board Integrated Risk Management Committee, Board Information Technology Committee and Board Nomination Committee

Skills and Experience :

Mr Lakshman Silva was the Director/Chief Executive Officer of DFCC Bank PLC from August 2017 to December 2021 until his retirement.

Commenced his professional career with the Department of Inland Revenue of Sri Lanka and joined the DFCC Banking Group in 1987. He was seconded to the service of DFCC Vardhana Bank in 2003 and functioned as the Chief Operating Officer until appointment as the Chief Executive Officer/Executive Director in January 2010. He held the position of Deputy Chief Executive Officer/Director of DFCC Bank PLC from October 2015 until August 2017.

Until his retirement from DFCC Bank PLC in December 2021, he held the position of Chairman of DFCC Consulting (Pvt) Limited, Lanka Industrial Estates Limited and Synapsys Limited (subsidiary companies of DFCC Bank PLC) and the Chairman of Lanka Financial Services Bureau Limited as well as Sri Lanka Banks' Association (Guarantee) Limited. He held the positions of Chairman of Acuity Partners (Pvt) Limited, the joint venture company of DFCC Bank PLC and Chairman of Lanka Ventures Limited and LVL Energy Fund PLC. He also served as a Director of Lanka Clear (Pvt) Ltd.

Mr Silva was a member of the Board of Directors of the Association of Development Financing Institutions in Asia and the Pacific and Board of Management of the Sri Lanka Sustainable Energy Authority.

At present he holds the position of Chairman at Panasian Power PLC and its subsidiary companies. He also serves as a member of the Stakeholder Engagement Committee of Central Bank of Sri Lanka and Ceylon Chamber of Commerce.

BOARD OF DIRECTORS



Ms V G S Sunjeevani Kotakadeniya

Non-Executive Director

Qualifications :

FCMA (UK), CGMA (USA), MBA
[University of Colombo]

Appointed to the Board :

17 August 2022 as a Non-Executive Director.

Areas of Expertise:

Finance/Financial Management

Membership in Board

Subcommittees:

Board Audit Committee and Board Nomination Committee

Skills and Experience:

Ms Sunjeevani Kotakadeniya is the Chief Financial Officer of the LOLC Group, overseeing the Group's local and international businesses' finance functions.

She is a senior finance professional with three decades of experience in financial management and has extensive experience in strategic development, investment portfolio management, project management, mergers and acquisitions, IT and administration disciplines holding senior positions in Financial Services, Insurance, Leisure, Construction, Trading, Renewable Energy, Plantations and Manufacturing sectors.

Ms Kotakadeniya serves as a Director in several LOLC Group companies including listed entities; Sierra Cables PLC, Udapussellawa Plantations PLC, Hapugastenna Plantations PLC, LOLC General

Insurance PLC and Agstar PLC and plays a strategic role in these entities. Ms Kotakadeniya has been a catalyst in corporate restructuring and change management, mergers and acquisitions and project management.



Ms Averil A Ludowyke

Independent Director

Qualifications :

FCA (CA Sri Lanka), FCMA (UK)

Appointed to the Board:

17 August 2022 as an Independent Director.

Areas of Expertise:

Auditing, Accounting and Finance

Membership in Board

Subcommittees:

Board Audit Committee (Chairperson), Board Governance and Compliance Committee, Board Integrated Risk Management Committee and Related Party Transactions Review Committee

Skills and Experience:

Ms Averil Ludowyke counts over 26 years of experience at M/s Ernst & Young and has served as a Partner from 2011 to 2022.

Ms Ludowyke was lead Audit Partner at M/s Ernst & Young, of several groups of companies and she launched and led forensics and integrity services of the firm. Her clients included banks and finance companies and companies engaged in retail, manufacturing, telecommunications, construction,

real estate, shipping and logistics, insurance, leisure, plantations and development.

She also counts 12 years of senior level experience in finance and accounting in the manufacturing sector and in a relief and development organization.

Ms Ludowyke has been a resource person for public seminars and workshops of CA Sri Lanka, Sri Lanka Institute of Directors, CIMA, the Ministry of Public Enterprise Development, ACAMS regional conference of the Indian subcontinent, National Chamber of Commerce, University of Kelaniya, ACCA, AAT, CMA and Institute of Internal Auditors.

SENIOR MANAGEMENT TEAM

Director / CEO and Leadership Team



Kapila Ariyaratne

Director/ Chief
Executive Officer

Qualifications

BSc (Honours - First Class) - University of Colombo

Experience

35 years



Ramesh Jayasekara

Deputy Chief
Executive Officer

Qualifications

Associate Member of Institute of Chartered
Accountants of SL

Bachelor of Commerce Degree (First Class) - University
of Colombo

Associate Member of Chartered Institute of Marketing
United Kingdom

Associate Member of Institute of Certified Management
Accountants

Experience

25 years



Jayantha Amarasinghe

Deputy General
Manager - Human
Resources

Qualifications

Master of Business Administration - Buckinghamshire
New University

Bachelor of Law (LL.B)

Attorney at Law

Chartered Fellow Member of CIPM - Sri Lanka

Postgraduate Diploma in Management - Sri Lanka
Institute of Marketing

Postgraduate Diploma in International Relations -
Bandaranaike Centre for International Studies - Sri Lanka

Experience

30 years



Ms. Champika Dodanwela

Chief Financial Officer

Qualifications

Master of Business Administration - University of
Colombo

Fellow member of ACCA - UK

Associate member of Certified Management
Accountants

Fellow member of Institute of Bankers - Sri Lanka

BSc Applied Accounting Oxford Brooke - UK

BSc Management - University of Sri Jayewardenepura

Experience

33 years in Banking (Finance)

SENIOR MANAGEMENT TEAM

Leadership Team



Harsha Wanigatunga

Chief Information
Officer

Qualifications

Bachelor of Science – Computer System Design –
University of Houston - Clear Lake

Master of Science – Computer Engineering - University
of Houston – Clear Lake

Experience

28 years



Malik Wickramanayake

Deputy General
Manager – Operations

Qualifications

BA in Business & Administration Studies – Lewis &
Clark College, Portland, Oregon, USA

Experience

28 years



Shanaka Perera

Deputy General
Manager – Treasury

Qualifications

Master of Business Administration - PIM - University
of Sri Jayewardanapura

FIB - Institute of Bankers of Sri Lanka

PG. Ex. Diploma in Bank Management- Institute of
Bankers Sri Lanka

CMA - ICMA, Australia

ACI DC - ACIFMA

Diploma in Treasury and Risk Management - IBSL

Experience

32 years



Ms. Sharon Fonseka

Deputy General
Manager – Corporate
Credit Branches

Qualifications

Associate member of the Institute of Bankers of
Sri Lanka

Experience

34 years

Leadership Team



Ranil Dissanayake

**Deputy General
Manager – Branch
Credit**

Qualifications

Associate member of the Institute of Bankers of Sri Lanka
Certificate course in Project Finance – Institute of Bankers of Sri Lanka

Experience

32 years



Eranga Lankatilaka

**Deputy General
Manager – Recoveries**

Qualifications

Associate Member of the Institute of Bankers of Sri Lanka

Master of Business Administration - Rajarata University of Sri Lanka

Experience

32 years



Eugene Seneviratne

**Deputy General
Manager – Retail
Banking**

Qualifications

Master of Business Administration- Sikkim Manipal University

Certificate IV in Business Frontline Management - TAFE

Certificate in Credit – College of Banking & Finance

Intermediate Banking Diploma - IBSL

Experience

31 years



Aruna Fernando

**Deputy General
Manager / Chief Risk
Officer**

Qualifications

Master of Financial Economics, University of Colombo

Master of Business Administration - PIM, University of Sri Jayewardenepura

Associate Member of Institute of Bankers of Sri Lanka

Postgraduate level Certificate Course in Modern Commercial Banking - PIM, University of Sri Jayewardenepura

Special Course Credited by GARP on Bank Risk Management, Euromoney Learning Solutions

Special Course Credited by GARP on Bank Risk Management, Euromoney Learning Solutions

Special Course Credited by GARP on Bank Risk Management, Euromoney Learning Solutions

Experience

35 years



Varuna Koggalage

**Deputy General
Manager - Internal
Audit**

Qualifications

Fellow member of the Chartered Accountants - Sri Lanka (ICASL)

Experience

27 years

SENIOR MANAGEMENT TEAM

Leadership Team



Wasantha Karunaratne

Assistant General Manager – Services

Qualifications

Diploma in Purchasing and Materials Management

Experience

32 years



Kapila Rathnayaka

Assistant General Manager – Premises Maintenance

Qualifications

BSc - Engineering Honours (Peradeniya)
Master of Business Administration - PIM
University of Sri Jayawardenepura
Chartered Engineer
Corporate Member of Institution of Engineers (IESL)

Experience

21 years



Nuwan Jayawardane

Assistant General Manager – IT Infrastructure

Qualifications

BSc in Computer Engineering – New Jersey Institute of Technology
Master of Business Administration in Finance – University of Colombo
ITIL V3 Foundation
Project Management Professional
COBIT® Foundation

Experience

28 years



Sampath Fernando

Assistant General Manager – Information Technology

Qualifications

Master of Business Administration - University of Manipal

Experience

33 years



Ruwan Fernando

Assistant General Manager – Branches II

Qualifications

Master of Business Administration - UK
Associate Member of the Chartered Institute of Management Accountants – UK
Chartered Global Management Accountant
Associate member of the Institute of Bankers of Sri Lanka

Experience

29 years



Ms. Vayoma Paranagama

Assistant General Manager – Legal

Qualifications

Attorney at Law & Notary Public
Associate of Institute of Bankers Sri Lanka
Master of Business Administration - University of Sri Jayawardenepura

Experience

30 years

Leadership Team



Dilan Wijegoonawardena

Assistant General Manager – International

Qualifications

Master of Business Administration – PIM
Fellow Member of the Chartered Institute of Management Accountants-UK
Fellow Member of the Chartered Management Accountants-SL.
Fellow member of the Institute of Bankers of Sri Lanka
Diploma in International Trade - IBSL

Experience

28 years



Gamika De Silva

Assistant General Manager – Marketing and Sales

Qualifications

Master in Business Management - University of Wales
Fellow Member of the Sri Lanka Institute of Marketing
Diploma in Marketing – Chartered Institute of Marketing

Experience

24 years



Ms. Nilanthie De Meral

Assistant General Manager – Corporate Banking

Qualifications

Associate member of the Institute of Bankers of Sri Lanka

Experience

31 years



Dimuth Sigera

Assistant General Manager – Branches I

Qualifications

Chartered Financial Analyst – Chartered Financial Analyst (CFA) Institute
Master in Economics – University of Colombo
Master of Business Administration- PIM
BSc Management (Public) Special degree- University of Sri Jayawardenepura

Experience

21 years



Shanuka Jayarathna

Assistant General Manager – Finance

Qualifications

B.Sc. Accountancy (Special) Degree, University of Sri Jayawardenepura
Master of Business Administration (Finance), University of Colombo
Associate Member of the Institute of Chartered Accountants of Sri Lanka

Experience

20 years



Ms. Chaya Gunarathne

Assistant General Manager - Compliance

Qualifications

Attorney-at-Law
Masters of Law – University of Colombo
BA (History Honors) - University of Colombo
International Compliance Diploma - International Compliance Association
Post Graduate Diploma in Banking & Finance - Institute of Bankers of Sri Lanka

Experience

24 years

CORPORATE GOVERNANCE

Introduction

The Bank believes in a dynamic corporate governance system that contributes towards corporate discipline and responsible business conduct. By establishing the required framework with processes and procedures for this purpose, the Bank has established a clear and systematic decision-making process, providing clarity about responsibilities, avoiding conflicts of interest and ensuring satisfactory processes and systems of internal controls, risk management, transparency and overall accountability.

The Bank's present Board leadership with the right composition of Board members owning required expertise, skills and experience together with its dynamic corporate management team, work towards achieving the goals of a robust governance system enabling the operations of the Bank to cater to the expectations of all stakeholders with a sound understanding of the risks that the business is exposed to in changing and challenging macro-economic landscape.

This Corporate Governance Report details the status of compliance in relation to the Directions of the corporate governance principles as set out in the Banking Act Direction No.11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka (as

amended), the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka, the Listing Rules of the Colombo Stock Exchange in-line with the internal policies and procedures, guidelines and best practices followed by the Bank.

The Non-Executive Directors of the Board together with the new members who joined the Board during 2022 continued to bring independent views and opinions on key issues affecting the Bank which value addition enabled the Board to provide a solid foundation of robust corporate governance to underpin the efforts of the key management team.

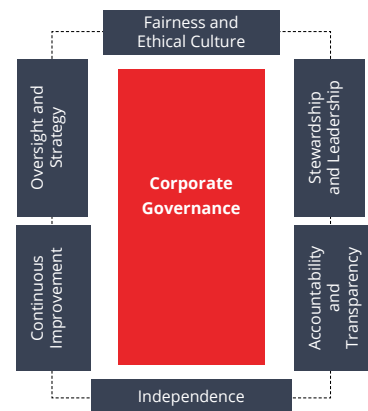
The Reports and write-ups in this Annual Report, including the Committee Reports, Financials Reports, Sustainability and Risk Management Reports express the Bank's commitment to governance, how the Board has carried out its oversight of strategy and how the Management has applied good governance practices in day-to-day operations of the Bank.

Bank's corporate strategy aligning with the Bank's vision and mission has ensured effective channels of engagement with its workforce, shareholders and stakeholders. Further, the Board continued to enhance, as well as provide necessary challenges to the development and implementation of

the strategies, by interacting with the Management, in particular through its Board Strategic Plan Subcommittee at its periodic meetings.

Board Governance and Compliance Committee of the Bank and the Board of Directors reviewed this Corporate Governance Report and were satisfied with the disclosures made on the level of compliance in respect of the year ended 31 December 2022 under the aforementioned Banking Act Directions and also on the related governance codes and principles overall.

Core Pillars of the Bank's Corporate Governance Framework



External Framework Includes (but not limited to) the following Regulations and Guidelines	Internal Framework Includes (but not limited to) the following Policies and Guidelines
<ul style="list-style-type: none"> • Banking Act No.30 of 1988 (as amended) • Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks of Sri Lanka (as amended) • Banking Act Directions, Determinations, Guidelines and Circulars issued by the Central Bank of Sri Lanka from time to time • Rules of the Colombo Stock Exchange (as amended) • Companies Act No.7 of 2007 • Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021 and the guidelines issued by the SEC under pertinent regulations • Sri Lanka Financial Reporting Standards and Accounting Standards • Guidelines issued by the Institute of Chartered Accountants of Sri Lanka • Code of Best Practice on Corporate Governance and other relevant guidelines issued by the Institute of Chartered Accountants of Sri Lanka • Acts, circulars, and guidelines of the tax authorities • Other applicable regulations, directions and recommended best practices on Corporate Governance, Financial Disclosures, Related Party Transactions, etc. 	<ul style="list-style-type: none"> • Articles of Association • Corporate Governance Framework • Terms of Reference for the Senior Director • Code of Business Conduct and Ethics for Directors • Policy on Related Party Transactions and Avoidance of Conflicts of Interest • Terms of References of the Board Subcommittees • Terms of References of Management Committees • Integrated Risk Management Framework and Risk Management Policies • Compliance Reference Guide covering Compliance related policies, internal guidelines, regulatory directions, regulatory reporting requirements, etc. • Policies approved by the Board on all operational areas, human resources/employee related policies • Employee Manual including Code of Ethics and Code of Conduct for Employees • Policies relating to Directors on appointment of Directors, Directors seeking independent advice, etc. • Code of Business Conduct and Ethics for Directors • Operations Manual • Lending Guidelines • Credit Standards and Procedure Manual • Policy on Insider Dealing

The corporate governance statements in compliance with the principles and directions set out in the Banking Act Direction No.11 of 2007 [as amended] for Licensed Commercial Banks (the Banking Act Direction), that are reported in this Corporate Governance Report as well as in the Reports of the regulatory Board Committees published in the Annual Report, describe key corporate governance approach and practices of the Bank for the financial year ended 31 December 2022 (FY 2022). Such disclosures together with the disclosures on financials and notes thereof on Internal Controls, on Environmental Social Governance (ESG), on Risk Management etc., published in the Annual Report further demonstrate the Bank’s commitment to transparency and accountability, the Board of Directors’ (the Boards’) oversight of strategy and the Board as well as the Management’s commitment to application of good governance practices.

The Board Governance and Compliance Committee and the Board reviewed the statements in this Corporate Governance Report and were satisfied with the disclosures and confirmations on the level of compliance in respect of the FY 2022 under the aforementioned Banking Act Direction and governance codes and principles. The findings of the External Auditors’ Factual Findings Report, carried out based on the Agreed upon Procedure in terms of Sri Lanka Related Services Practice Statement 4750 were reported to be consistent with the matters disclosed in this Corporate Governance Report.

The Bank has confirmed the status of compliance mainly in terms of the Banking Act and the Directions issued by the Central Bank of Sri Lanka, Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance published by the Institute of Chartered Accountants of Sri Lanka (2017).

Statement of Compliance in accordance with the Banking Act Direction No. 11 of 2007 on Corporate Governance (as amended)

In accordance with Section 3(1) (xvi) of the Banking Act Direction No. 11 of 2007 on Corporate Governance (as amended) (hereinafter referred to as the Banking Act Directions or CBSL Directions or Banking Act Directions on Corporate Governance) the Bank has disclosed its compliance with matters as set out in Direction No. 03 of said Banking Act Directions on Corporate Governance with pertinent disclosures in the ‘Corporate Governance Report’ of the Annual report.

The disclosures cover the eight sub-sections, Section 3(1) to Section 3(8) of the above Direction. Section 3(9) of the Direction on ‘Transitional and Other General Provisions’ is not applicable to the Bank and therefore not mentioned herein.

The aforementioned Direction and Banking Act regulations, other directions, determinations and circulars issued by the Monetary Board of the Central Bank of Sri Lanka under the Banking Act No.30 of 1988 (as amended) can be perused by accessing the website of the Central Bank of Sri Lanka www.cbsl.gov.lk.

Directions/Compliance Status - complied ; partially complied [p] and Level of Compliance

[the numbers against the captions indicate the respective section of the Banking Act Direction No.11 of 2007]

3(1) RESPONSIBILITIES OF THE BOARD

3(1)(i) - Ensuring the safety and soundness of the Bank

Compliance with the regulations and policy measures, directions, determinations and circulars released by the regulators from time to time and the various governance related frameworks

and policies adopted by the Bank were the key to the robust and transparent risk management and effective decision-making across the Bank. It ensured responsibility and accountability of the Board as well as the Management in the strengthening of the safety and soundness of the Bank whilst promoting public confidence mainly of its depositors, investors and borrowers.

3(1)(i) (a) - Strategic Objectives and Corporate Values

A fundamental component of good governance is a demonstrated corporate culture of reinforcing appropriate norms for responsible and ethical behavior. These norms are especially critical in terms of a bank’s risk awareness, risk-taking and risk management vis-a-vis its strategic objectives. The Bank’s strategic objectives and corporate values are entrenched in its Vision and Mission statements. The Board has ensured that appropriate steps are taken to communicate these throughout the Bank, by means of the Bank’s Employment Manual and the Codes of Conduct and Ethics as well as supporting policies.

Values embedded in Seylan Bank PLC’s Vision and Mission



The corporate values and the importance of achieving the objectives were emphasized to staff at orientation programs, training and development forums, and the intranet among others.

CORPORATE GOVERNANCE

Different management forums and performance review forums were held from time to time to review the progress against the set strategic objectives and goals as well as against the financial targets as per the annual budget.

Codes of Conduct and Ethics

Two separate Board approved Codes are in place for the Directors and for the employees of the Bank, namely;

- The Code of Business Conduct and Ethics for Directors
- The Code of Conduct as well as the Code of Ethics for the Bank's employees including the key management personnel.

These Codes clearly state that Directors and employees are expected to conduct themselves ethically in addition to complying with laws, regulations and company policies. These Codes emphasize the following principles and guidelines (but not limited to) to be abided by the Directors and the employees:

- to protect the business interests of the Bank;
- to maintain the Bank's reputation;
- to foster compliance with applicable legal and regulatory obligations.

The annual declaration to the effect that the Directors are aware and will abide by the Code of Business Conduct and Ethics for Directors was signed by all the Directors during the year. The Code of Conduct and the Code of Ethics for the Bank's employees are available on the Bank's intranet for perusal and due adherence by all staff.

Whistle Blowing Policy

The Bank has established an effective whistleblower program to protect the integrity and reputation of the Bank, augment its framework of internal controls and provide a

channel for employees to report inappropriate activity of which they may be aware.

Matters reported are diligently investigated and appropriate action taken. The Bank is committed to whistleblower protection and maintaining confidentiality and fostering employee trust in the whistleblower mechanism.

Anti-Bribery and Corruption Policy

The Bank is committed to conduct its business in accordance with the highest ethical standards. In line with this commitment, the Bank adopts a "zero tolerance" approach for bribery and corruption breaches including deviations from ethical standards.

The leadership level commitment towards good governance culture is proven by the existence of the Board Governance and Compliance Committee, which is a Subcommittee of the Board of Directors. Overlooking regular monitoring and periodic assessment of the Bank's conduct risk management framework and the anti-bribery and corruption framework both at policy and procedural level are a few examples of the specific tasks carried out by this Subcommittee beyond its regular compliance obligations. The Anti-Bribery and Corruption Policy clearly demarcates the policy boundaries and the related procedures on gifts, hospitality related expenses and defines unacceptable behavior and activity relating to bribery and corruption to ensure that risks emanating from those within Bank's business are properly identified, mitigated and managed.

The approach is applicable across the Bank, i.e., from the Board of Directors and the top management to the bottom level employees including temporary recruits. It is also applicable to agents and representatives of the Bank. To achieve these objectives, continuous awareness activities

are available at staff induction sessions. Monitoring processes are in place to ensure that all stakeholders abide by the highest ethical standards of integrity and accountability obligations. Employees are educated and encouraged to raise any concerns affecting compliance culture of the Bank through the whistle blowing mechanism. The Bank's Compliance Department is vested with the responsibility of ensuring the implementation of the recommendations of the Board and its Subcommittees in this regard.

3(1)(i)(b)&(c) - Approval of the Overall Business Strategy and Risk Policies and Prudent Risk Management with Measurable Goals

Strategic Plan

Pursuant to an in-depth review of the Corporate Strategy to be pursued by the Bank, with the recommendation of the Board Strategic Plan Committee, the Board approved the three-year Strategic Plan of the Bank in January 2021 for the period 2021 to 2023.

The Board Strategic Plan Committee regularly reviewed the progress of the Strategic Plan as presented by the executive/corporate management and provided necessary guidance. The internal Project Management Office (PMO) in collaboration with the Management focused on driving the results of the selected priorities as per an agreed operational plan.

The Board Strategic Plan Committee reviewed the status of the current Strategic Plan for 2021 to 2023 in December 2022 and agreed with the management proposal to extend the current strategic plan upto 2024 with modifications if any by mid 2023 and for formulation of strategic initiatives on unexplored, potential areas to be incorporated in the current plan.

Risk Management

The Board has vested the responsibility for formulating and implementing prudent risk management policies to the Board Integrated Risk Management Committee (BIRMC). The BIRMC has ensured that the Bank's Risk Management Unit headed by the Chief Risk Officer identifies principal risks and with the approval of the Board puts in place policies and guidelines for implementation. During the year, the Board ensured that the implementation of overall business strategy and the goals and targets are aligned with the Bank's overall risk assessment and risk appetite. The Board approved the Integrated Risk Management Policy and other risk management policies and procedures in place to constitute the overall risk management framework of the Bank which are constantly tested and reviewed by the Risk Management Unit and the status was reviewed by the BIRMC.

3(1)(i)(d) - Communication Policy with all stakeholders

The Board believes that collaboration and regular interaction with all stakeholder groups is essential to the Bank's long-term resilience and to the effectiveness of its integrated sustainability approach.

The Board has adopted the following policies in this regard:

- Stakeholder Engagement Policy – an internal document that sets out the method of engagement with stakeholders who influence the Bank's long-term resilience, specifying the lines of authority for communication with them in the ordinary course of business.
- Customer Charter (Customers include depositors and borrowers) - This document which is published in all three languages on the Bank's website, www.seylan.lk outlines the Bank's policy on dealing with customers,

handling customer complaints, contact information for making complaints to the Bank and/or to the Financial Ombudsman.

- Shareholder Communication Policy - Accessible on the Bank's website, www.seylan.lk. This Policy was set out with the objective of enhancing long-term shareholder value and strives to ensure that shareholders have ready and timely access to publicly available information of the Bank.
- Communication Policy – an internal document that provides guiding principles to the staff on both internal and external communication, mainly the dissemination of corporate information to the media.
- Information Disclosure Policy – an internal document which sets out guidelines for a governance framework in disclosing information by the Bank such as financial information, governance information, risk information and any other relevant information that requires to be disclosed to shareholders, employees, existing and potential investors, customers, creditors and other stakeholders (including the public) in a timely manner and in an accurate, fair, complete comprehensive and efficient way.

3(1)(i)(e) - Internal control systems and management information systems

Internal controls system can only be adjudged effective if its components are present and function effectively for operations, financial reporting and compliance. The Board Audit Committee ensures that the internal controls system within the organisation is adequate. This responsibility includes determining the extent to which internal controls are evaluated by the internal and external auditors.

3(1)(i)(f) - Identification of Key Management Personnel (KMPs)

As per the Sri Lanka Accounting Standards, KMPs are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. All members of the Board and members of the senior management in the grade of Assistant General Manager and above and other officers performing executive functions as per the Banking Act Determination No.1 of 2019 are deemed as KMPs by the Bank. Their appointments were recommended by the Board Nomination Committee and approved by the Board.

KMPs are deemed as "related parties" and therefore, necessary steps were taken to ensure compliance with section 3(7) of the Banking Act Direction No.11 of 2007, provisions of the Sri Lanka Accounting Standards (LKAS/SLFRS) and the Rules of the Colombo Stock Exchange. The Bank's Policy and Process document on Related Party Transactions and Avoidance of Conflicts of Interests and the Codes of Ethics provide necessary principles, guidelines and processes to be followed by the KMPs.

3(1)(i)(g) - Defining of areas of authority and key responsibilities

The key responsibilities of KMPs are defined in their job responsibilities, whilst the Directors derive their responsibilities from the regulations and directions, mainly the Banking Act Directions. This is documented in the Board approved Corporate Governance Framework of the Bank.

3(1)(i)(h) - Oversight of the affairs of the Bank by Key Management Personnel (KMPs)

The objective of effective management oversight is to ensure that the Management is

CORPORATE GOVERNANCE

involved in and clearly committed to the delivery of the results. The Board was satisfied that there was appropriate oversight of the affairs of the Bank by the KMPs.

The monthly management reports presented to the Board by the Chief Financial Officer (CFO) provide an overall account of the performance of the Bank and of the business units and support units, against the agreed strategic objectives and targets set. These were reviewed and deliberated in depth by the Board members at Board meetings at which the CFO and/or the Chief Executive Officer (CEO) and/or the Deputy Chief Executive Officer (DCEO) explain, answer queries and provide clarifications to the Board.

Reports and/or proposals submitted by KMPs to the Board and Board Subcommittees for information, review and concurrence or decision after a due diligence, identifying key risks and solutions for mitigation of such risks, highlighting the benefits and impacts and placing their recommendations with reasoning and justifications. The proposals include those aligned to the instructions of the Board and/or its Subcommittees, Board policies, and those arising from management level strategic decisions at meetings headed by the CEO and/or the DCEO.

3(1)(i)(i) - Effectiveness of the Board's own Governance Practices/Board Assessments

The benefits of regular board assessments/evaluations encourage collaborative decision making and enhanced performance of individual directors and further encourage directors to work together effectively. It can contribute significantly in terms of improved leadership, greater clarity of roles and responsibilities reduce conflict in the boardroom, embed a culture of good governance, greater accountability, better decision-making, improved communication and more efficient board operations.

The Bank's Board has put in place a formal process for reviewing the effectiveness of its own performance and that of its Committees annually. Each Director completed a detailed questionnaire during 2022, which sought their responses on the governance practices adopted by the Board/Bank, which included the following:

- *Structure of the Board and its Committees;*
- *Board culture and relationships with stakeholders;*
- *Effectiveness of Board proceedings;*
- *Implementation of strategy; internal control processes and robust risk management;*
- *Capitalisation of the Bank;*
- *Response to problems and crisis that have emerged;*
- *Succession planning;*
- *Knowledge and skills update by Board members;*
- *Effectiveness of the Independent Directors of the Board.*

The results of the evaluations were collated and summarised by the Company Secretary and submitted for review and comments and/or recommendations of the Board Governance and Compliance Committee (BGCC) and thereafter submitted to the Board for an overall assessment of the Board effectiveness and decisions where appropriate. The results reflected that the Board and Board subcommittees have continued to be effective and have made valuable contributions towards the Board's responsibilities. The review of the BGCC yielded valid recommendations to the Board.

The Board Subcommittees too carried out self-assessments of the effectiveness of the respective Subcommittees and submitted their reports to the Board for evaluation and comments.

The Independent Directors of the Bank at their meeting/s chaired by

the Senior Directors, Ms Coralie Pietersz (till her retirement on 22 September 2022) and Senior Director, Mr Anushka Wijesinha (appointed w.e.f. 23 September 2022) reviewed the structure, methodology and process for Board evaluation including the evaluation of the Board Chairman and made recommendations to the BGCC for implementation of the evaluation of the Board Chairman as a progressive governance initiative to the overall assessment of the Board's effectiveness effective from financial year 2022 and the Board adopted the said recommendation from the BGCC.

3(1)(i)(j) - Succession Plan for Key Management Personnel (KMPs)

This responsibility is vested with the Board Nomination Committee (BNC). During the year, the Committee reviewed the effectiveness of the Succession Plan for KMPs in place and deliberated on the proposals by the Management on changes to the organisational structure in order to enhance the effectiveness of the functionalities. The BNC as well as the Board Human Resources and Remuneration Committee (BHRC) ensured that the effective training and development plans were in place for identified successors.

3(1)(i)(k) - Regular meetings with Key Management Personnel (KMPs)

The CEO, DCEO and KMPs heading different areas of authority were invited to regular meetings of the Board Subcommittees as well as Board meetings at which the Board discussed the progress and the extent to which policies, corporate strategies and objectives of the Bank were implemented and achieved whilst advising and providing relevant directions to the management.

3(1)(i)(l) - Understanding of the Regulatory Environment

The Board members by their own professional virtues keep abreast of the changes in the

regulatory environment. They were also updated of the changes in the regulatory environment relating to or affecting the licensed commercial banks in general and/or the activities of the Bank, by the CEO, DCEO and relevant KMPs at the Board Sub-committee level and at Board level. The Board discusses and/or advises/endorse the steps taken to comply with such changes as appropriate. The Board has ensured that the Bank maintains an effective dialogue and relationship with the regulators.

3(1)(i)(m) - Hiring of External Auditors

The Board Audit Committee is vested with the responsibility of exercising due diligence and oversight in making necessary recommendations to the Board of Directors to appoint External Auditors. The Committee ensures that the Audit Engagement Partner is rotated every five years.

3(1)(ii) - Appointment of Chairman and Chief Executive Officer

The Bank appointed Non-Executive Director, Mr W M R S Dias as the Chairman of the Bank in May 2016 whilst Mr K P Ariyaratne was appointed in March 2011 as the Chief Executive Officer (CEO) of the Bank. The functions and responsibilities of the Chairman are as defined in section 3(5) of the Banking Act Directions and were stated in the Corporate Governance Framework of the Bank. These are distinct from the role and responsibilities of the CEO, which is defined in his Job Description approved by the Board. Please refer section 3(5) of this report for further update.

3(1)(iii) - Frequency of Board Meetings and participation of Directors

Twelve regular meetings were held monthly with the active participation of Directors. Additionally, five special meetings

were also held at different times during the year to consider important issues.

Quorum - The quorum for the Board Meetings is a minimum 5 members or above 50% of the number on the Board whichever is higher with the presence of a majority of Non-Executive Directors. The quorum required in this manner was maintained from commencement to the conclusion of proceedings of Board Meetings held during the year.

Directors actively participated, shared their views and made valuable contributions at Board proceedings. Resolutions by circulation were restricted to matters of a routine nature and/or for urgent business requirements with the prior clearance received from the Chairman of the Board. A summarised report of all such resolutions passed, were ratified at the immediate regular monthly Board meeting that followed such dates of resolutions. The Directors' attendance at Board meetings are disclosed in the table under 3(1)(vi) below.

3(1)(iv) - Agenda

Since adequate notice of the Board meetings were issued, Directors had the opportunity to include matters and/or proposals relating to business of the Bank and other relevant matters to be considered at the regular monthly Board Meetings. At Board meetings too, Directors proposed and collectively agreed on any additional matters to be included in the agendas of future Board Meetings and/or Board Subcommittee meetings. Papers and information were provided by the Management to comply with any such requests of the Board prior to such Board meetings.

3(1) (v) - Notice of Meeting

Notices for the regular monthly meetings of the Board of Directors

were emailed by the Company Secretary to the Directors as well as to the Management at least three weeks prior to the date of the meeting. The agenda along with the connected papers/reports were circulated to the Directors by uploading them to the Board Papers Application System and accessed by the Directors from their application devices.

3(1)(vi) - Attendance

The Board members' record of attendance at Board meetings at the preceding twelve-month period was apprised by the Company Secretary at the Board Meeting that followed such period. During the year, each Director had attended more than two-thirds of the meetings he/she was eligible to attend and further, no Director was absent from three consecutive meetings. The following table provides the total number of meetings attended by each Director during the year.

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Director	Status*	Meetings eligible to attend	Meetings Attended	As a Percentage (%)
Mr W M R S Dias	Non-IND NED/Chairman	17	17	100.00
Mr W D K Jayawardena**	Non-IND NED/ Deputy Chairman	10	10	100.00
Ms M C Pietersz***	IND NED/Senior Director	13	13	100.00
Mr K P Ariyaratne	EXD/CEO	16	16	100.00
Mr S V Corea	Non-IND NED	17	16	94.12
Mr A S Wijesinha****	IND NED/Senior Director	17	16	94.12
Ms S K Salgado	IND NED	17	17	100.00
Mr D M D K Thilakaratne	Non-IND NED	17	14	82.35
Mr D R Abeysuriya	IND NED	17	17	100.00
Mr D M Rupasinghe	IND NED	17	17	100.00
Mr L H A L Silva*****	IND NED	8	8	100.00
Ms V G S S Kotakadeniya*****	Non-IND NED	6	5	83.33
Ms A A Ludowyke*****	IND NED	6	6	100.00

*NED – Non-Executive Director; IND – Independent Non-Executive Director; EXD – Executive Director

** Retired from the Board on 31.07.2022. includes six meetings attended by Alternate Director, Ms V G S S Kotakadeniya.

*** Retired from the Board on 22.09.2022

**** Appointed as the Senior Director w.e.f. 23.09.2022

***** Appointed w.e.f. 18.07.2022

***** Appointed w.e.f. 17.08.2022

Ms V G S S Kotakadeniya was the Alternate Director to Mr W D K Jayawardena until his retirement on 31.07.2022 and appointed as a Non-Executive Director w.e.f. 17.08.2022.

3(1)(vii) - Company Secretary

Ms N N Najumudeen, who was a qualified Chartered Secretary being an Associate Member of the Institute of Chartered Secretaries and Administrators, UK (also known as The Governance Institute of UK) and an Associate Member of the Institute of Chartered Corporate Secretaries of Sri Lanka acted as the Company Secretary of the Bank until her retirement on 07 May 2022.

Ms Saraswathie Poulraj who is an Attorney-at-Law and a registered Company Secretary was appointed as the Company Secretary of the Bank w.e.f. 08 May 2022. In conformation with Section 43 of the Banking Act No.30 of 1988 (as amended), they were not employees of any other organisation or institution. The Board approved Job Description of

the Company Secretary includes the roles and responsibilities of a Company Secretary/Board Secretary to be performed in compliance with the relevant laws, regulations and the Articles of Association of the Bank.

The Company Secretary's duties include convening and conducting meetings of the Board and Board Subcommittees, convening and conducting shareholders' meetings in line with the regulations, Articles of Association of the Bank. Among other functions, she oversees the administration and day-to-day operations of the Company Secretariat of the Bank including the registrar's functions, capital issues, communications with shareholders and communication with regulatory authorities, mainly the Colombo Stock Exchange, the Registrar of Companies and the Central Bank of Sri Lanka.

3(1)(viii) - Access to the advice and services of the Company Secretary

The Company Secretary reports to the Board and to the Board Subcommittees and supports the members on matters relevant to the functioning of the Board and the Board Subcommittees in line with good corporate governance. Advice and services sought by the Board members from time to time in respect of Board responsibilities, procedures and applicable rules and regulations that are required to be followed, were duly offered by the Company Secretary.

3(1)(ix)&(x) - Minutes of Board Meetings

Minutes of Board meetings were recorded by the Company Secretary in sufficient detail to enable a proper assessment to be made

of the extent of deliberations and decisions taken at the meetings. Minutes of Board meetings were prepared by the Company Secretary and circulated to the Directors upon being reviewed by the Chairman, so that Directors may peruse same and confirm or record any discrepancy for rectification or amendment when it is tabled at the subsequent Board meeting. The Minute Books are maintained by the Company Secretary and available for inspection by any Director on reasonable notice to the Company Secretary.

3(1)(xi) - Independent professional advice

Directors are able to seek independent professional advice at the expense of the Bank in furtherance of their duties and contribution at Board and Board Subcommittee meetings in the interest of the Bank. A Board approved procedure is in place for this purpose.

3(1)(xii) - Avoidance of Conflicts of Interest

If a Director has a conflict of interest in a matter to be considered by the Board or by a Board Subcommittee, which has been determined to be material, the Company Secretary and/or the Chairman or the Director/s concerned draws attention of the Board to such interest (Directors' interest in contract or related party interest), prior to such proposal or matter is to be discussed and decided upon at the meeting. Directors abstain from participating in such deliberations and from voting on any such resolution. Such Directors were not considered for the quorum for approving such agenda item in the Board meeting.

3(1)(xiii) - Schedule of Matters Reserved for Board's Decision

There is a formal schedule of matters that are reserved for the Board to decide. They are taken

up at the regular Board meetings. They also include matters, which require the approval of the Board where it is not within the delegated authority of the Management and/or the Board Subcommittees. The scope of such matters are described in the Bank's Corporate Governance Framework, which includes but not limited to business strategy and management, capital structure, financial reporting and controls, remuneration of key management personnel, Bank's policies and delegation of authority.

3(1)(xiv) - Bank's ability/inability to meet its obligations on payments

The Board has adopted a Contingency Funding Plan (CFP). The CFP addresses the procedures to be followed by the Bank and keeping the Director of Bank Supervision of the Central Bank of Sri Lanka informed in a liquidity crisis situation, i.e. if it considers that it is, or is unlikely to be able to meet its obligations or is about to suspend payments due to depositors and other creditors. The Bank however, did not face a situation of being unable to meet its obligations on payments during the year.

3(1)(xv) - Capitalization of the Bank

The Bank complied with the Capital Adequacy requirements as required by the Monetary Board under Banking Act Direction No.1 of 2016 (as amended) on Capital Requirements under BASEL III for Licensed Commercial Banks and Licensed Specialised Banks. The Capital Adequacy Position based on the Capital Augmentation Plan (CAP) was reviewed periodically by the Board during the year. CAP which was prepared, based on BASEL III, took into consideration the projected growth patterns, provisions impact on the profitability, capital issues, dividend payout, etc. The total Capital Ratio as at 31 December 2022 based on certified audited financials

was 13.59% (above the minimum regulatory requirement of 12.50%).

3(1)(xvi) - Annual Corporate Governance Report

This Corporate Governance Report published in the Annual Report serves to meet the requirement of this provision in compliance with the Banking Act Directions on Corporate Governance.

3(1)(xvii) - Scheme of Self-assessment

Each member of the Board submitted his/her own self-assessment report to the Board, reporting on the extent of their respective contributions to the Board and to the Board Subcommittees they were attached to. The reports were shared at the Board meeting and filed for of record by the Company Secretary. These facilitated the Board members to assess the extent to which they have fulfilled their duties and responsibilities and further it ensured that appropriate processes are in place to ensure due diligence to planning and oversight over the organisation. The process and approach for evaluations have been reviewed and the adoption of improvements is being done.

3(2) The Board's Composition

3(2)(i) - Board Composition

The Bank is in compliance with this section of the Banking Act Directions, i.e. that the composition of the Board to be not less than seven directors and not more than thirteen directors at any one time as described in the table below.

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No.	Director	Status*	Date of Appointment	Period served as at 31 December 2022
1.	Mr W M R S Dias	Non-IND NED/ Chairman	29 May 2015	7 years, 7 months
2.	Mr W D K Jayawardena	Non-IND NED/ Deputy Chairman	1 August 2013	Retired on 31.07.2022 after completion of 9 years
3.	Ms M C Pietersz	IND NED/ Senior Director	23 September 2013	Retired on 22.09.2022 after completion of 9 years
4.	Mr K P Ariyaratne	EXD/ Chief Executive Officer	16 February 2015	7 years, 10 months
5.	Mr S V Corea	Non-IND NED	14 May 2015	7 years, 7 months
6.	Mr A S Wijesinha****	IND NED/ Senior Director	1 December 2016	6 years, 1 month
7.	Ms S K Salgado	IND NED	1 December 2016	6 years, 1 month
8.	Mr D M D K Thilakarathne	Non-IND NED	1 October 2018	4 years, 3 months
9.	Mr D R Abeysuriya	IND NED	17 October 2018	4 years, 2 months
10.	Mr D M Rupasinghe	IND NED	1 October 2021	1 year, 3 months
11.	Mr L H A L Silva**	IND NED	18 July 2022	5 months
12.	Ms V G S S Kotakadeniya***	Non-IND NED	17 August 2022	4 months
13.	Ms A A Ludowyke***	IND NED	17 August 2022	4 months

* NED – Non-Executive Director; IND – Independent; EXD – Executive Director

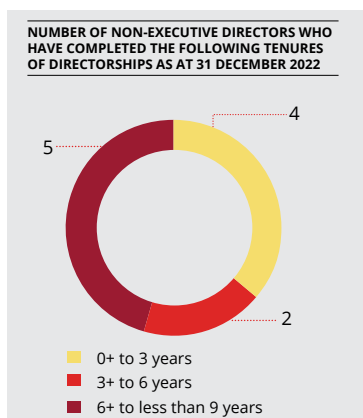
** Appointed to the Board on 18.07.2022

*** Appointed to the Board on 17.08.2022

**** Appointed as the Senior Director w.e.f. 23.09.2022

3(2) (ii) - Period of Service of Directors other than a Director who holds the position of CEO

The service period of the Non-Executive Directors on the Board during the year, did not exceed nine years as noted in the above table.



3(2)(iii) - Appointment of Executive Directors

Director/Chief Executive Officer, Mr K P Ariyaratne was the only Executive Director on the Board during the year, thus complying with this direction, which states that

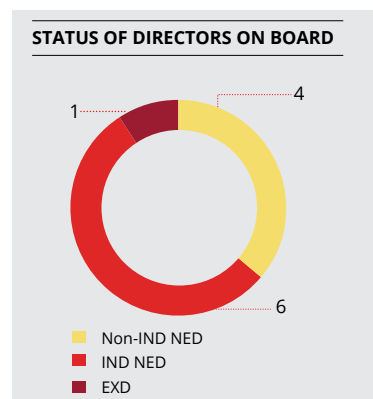
executive directors on the board shall not exceed one third of the total number.

3(2)(iv) - Independent Directors

This Direction states that the minimum requirement of independent non-executive directors shall be three or one-third of the total number of directors on the board, whichever is higher. Therefore, based on the number of Directors on the Board of the Bank, this requirement was met. As at 31 December 2022, there were 11 Directors on the Board from whom 6 Directors were Independent Directors.

Determination of Independence:

The Board determined the independent and non-independent status of the Non-Executive Directors based on the declarations submitted by the Directors annually, in accordance with the criteria defined in the Banking Act Direction No. 3(2)(iv) and in terms of the Section 7.10.4 of the Rules of the Colombo Stock Exchange.



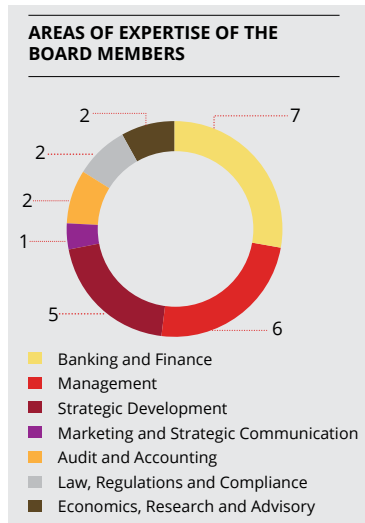
3(2)(v) - Alternate Directors

Ms V G S S Kotakadeniya functioned as the Alternate Director to Non-Independent Non-Executive Director, Mr W D K Jayawardena until his retirement on 31 July 2022. Ms Kotakadeniya attended seven meetings of the Board on behalf of Mr Jayawardena. Ms V G S S Kotakadeniya's status of Alternate Directorship was deemed Non-Independent, Non-Executive.

3(2)(vi) - Profiles of the Non-Executive Directors

The Board firmly believes that a diversified board will bring forth divergent leadership skills,

thinking, risk predilections and behaviors. The Directors on the Board were professionals with extensive experience, skills and proven track records, in the field of banking, finance, management, accounting, auditing, law, economics, research, marketing, strategic communications, strategic development etc. Their profiles are published in the Annual Report. Their knowledge and expertise brought comprehensive oversight and independent judgement on issues of strategy, operations of the Bank with a broader focus on financial, compliance and reputational risks, thus supporting a greater supervision on the Board and in the evaluation and decision-making process. The importance of these attributes were taken into account in determining the optimum composition of the Board of the Bank and the requirements have been set out in its 'Policy for Appointment of Directors'.



Gender Diversity – was another aspect that the Board takes into consideration when nominees were considered for Board appointments. The Board of Directors comprised 27% female Directors and 73% male Directors as at 31 December 2022.

3(2)(vii) ☑ - Non-Executive Directors composition at Board Meetings

Meetings of the Board held during the year were duly constituted with the required quorum and the presence of majority of the Non-Executive Directors.

3(2)(viii) ☑ - Identification of status of Directors in corporate communications

The status of directorships has been expressly identified in all corporate communications including in the Annual Reports. Designations of Directors who were designated with identified positions such as, Chairman, Senior Director and Chief Executive Officer have also been duly stated in such communications.

3(2)(ix) ☑ - Procedure for Appointment of Directors

The Board approved Policy Governing Directors' Appointment, which is in place acts as a guideline to the Board when appointments to the Board are considered. The Board Nomination Committee is vested with the responsibility of identifying new directors and/or considering the suitability of directors nominated by any other Board member.

3(2)(x) ☑ - Election of Directors appointed to fill a casual vacancy on the Board

In terms of Article 89 of the Articles of Association, a director who is appointed after an Annual General Meeting (AGM) of the Bank is subject to election by the shareholders at the AGM that follows his or her appointment. Independent Director, Mr D M Rupasinghe who was appointed on 1 October 2021 was elected by the Shareholders in terms of the aforementioned Article and this Banking Act Direction, at the AGM of the Bank held on 30 March 2022. The following Directors appointed to fill the casual vacancies on the Board will offer themselves for election at the AGM scheduled to be held on 30 March 2023.

- Independent Director, Mr L H A Lakshman Silva who was appointed to the Board on 18 July 2022;
- Non-Executive Director, Ms V G S S Kotakadeniya who was appointed to the Board on 17 August 2022;

- Independent Director, Ms A A Ludowyke who was appointed to the Board on 17 August 2022.

3(2)(xi) ☑ - Resignation/Removal/Cessation of Directorship

Upon the Board accepting and/or recording the resignation or removal or cessation/retirement of office as a Director, it is informed to the regulatory authorities (namely the Central Bank of Sri Lanka and the Registrar of Companies) and also to the shareholders through announcements made to the Colombo Stock Exchange by the Company Secretary. Such information includes statements that may be relevant to be brought to the information of the regulatory authority and/or to the shareholders.

There was no resignation or removal of any Director during the year 2022. Retirement of Non-Executive Director, Mr W D K Jayawardena on 31 July 2022 and Independent Director, Ms M C Pietersz on 22 September 2022 upon completing of nine years of service in the Bank were informed to the Central Bank of Sri Lanka, the Registrar of Companies and to the Colombo Stock Exchange. Ms V G S S Kotakadeniya who was the Alternate Director to Mr W D K Jayawardena ceased to be an Alternate Director, on 31 July 2022 consequent to the retirement of Mr Jayawardena.

3(2)(xii) ☑ - Appointments in any other Bank

No Director and no employee of the Bank has been appointed, elected or nominated as a director of another Bank. The Bank has stipulated this requirement in its Corporate Governance Framework, in the Policy Governing Directors' Appointment and in the letters of appointment issued to employees and the Employee Manual and related policies of the Bank.

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3(3) CRITERIA TO ASSESS THE FITNESS AND PROPRIETY OF DIRECTORS

All appointments to the Board were made after obtaining the approval of the Director, Bank Supervision, Central Bank of Sri Lanka (CBSL) in terms of Section 42 of the Banking Act No.30 of 1988 (as amended) whilst Affidavits of the continuing Directors in terms of the said section were forwarded to the Director, Bank Supervision, at least 15 working days prior to the Annual General Meeting of the Bank, for perusal and approval.

The declarations submitted to and accepted by the Director, Bank Supervision confirm that the Directors meet the criteria of fitness and propriety as per Section 42 of the Banking Act No.30 of 1988 (as amended) and its Directions.

3(3)(i) - Retirement Age of Directors

The related section of the Banking Act Direction stipulates that a person who is over 70 years of age shall not serve as a Director. No Director of the Bank who was over 70 years of age served in the Board during the year 2022.

3(3)(ii)(amended by Direction No.3 of 2013) [P] - Directorships in other companies/institutions

No Director held directorships in more than 20 companies/entities/institutions inclusive of the subsidiary of the Bank during 2022 except for one Director held 21 directorships for a negligible period, however, same was rectified immediately and the Director concerned confirmed said rectification subsequently. As at 31 December 2022, no Director held directorships in more than 20 companies/entities/institutions. Please refer Annexure to the Report of the Board of Directors in the Annual Report for details on other directorships held by the Board members.

3(3)(iii)(amended by Direction No.9 of 2019) - Appointment of Directors or a Chief Executive Officer who has held office in another licensed commercial bank

The Bank will ensure that a director or a Chief Executive Officer of another licensed bank operating in Sri Lanka will not be considered for appointment before the expiry of a period of 6 months (cooling-off period) from the date of cessation of his/her office at the licensed bank in Sri Lanka, and that any variations thereto in exceptional situations will be subject to the prior approval of the Monetary Board. Mr L H A Lakshman Silva who was the Director/CEO of DFCC Bank PLC was appointed as an Independent Director of the Bank on 18 July 2022 after completion of a 'cooling-off period' of six months.

3(4) MANAGEMENT FUNCTIONS DELEGATED BY THE BOARD OF DIRECTORS

3(4)(i)-(iii) - Board delegation arrangements in place

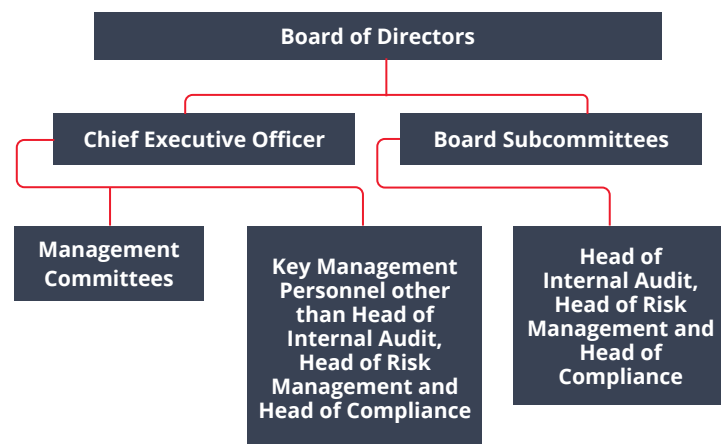
The Board is empowered by the Articles of Association to delegate any of its powers to the Board Subcommittees consisting of such

member or members as the Board thinks fit or to the Chief Executive Officer and/or to the KMPs as appropriate.

The Board has delegated matters pertaining to the affairs of the Bank to the Board Subcommittees within the respective scopes of the Board approved Terms of Reference of the Subcommittees, to the CEO, Deputy CEO and to other KMPs who work within the Board approved delegated authority limits and the scope of their approved job descriptions.

New delegation processes or revisions to the existing delegation processes as proposed and recommended by the CEO and the relevant KMPs took into account business needs and structural changes and with the recommendations of the Subcommittees overlooking the subject matter (where applicable) were considered and approved/decided by the Board. The Board ensured that the delegation processes did not hinder or reduce the Board's overall powers to effectively discharge its responsibilities and thereby reserves certain powers for itself.

The delegation process of the Bank



3(5) CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

3(5)(i) - Roles of the Chairman and the Chief Executive Officer (CEO)

The role and responsibilities of the Bank's Chairman and that of the CEO are separate and distinct and

the Board has outlined them in the Corporate Governance Framework of the Bank. The Chairman and the CEO execute their respective roles in coordination with each other and/or with the Board to reach high-level decisions in the best interest of the Bank.

3(5)(ii) ☑ - Independent status of the Chairman

Chairman, Mr W M R S Dias is a Non-Executive Director. He was determined as not 'independent', as he was nominated to the Board by Sri Lanka Insurance Corporation Ltd, a material shareholder of the Bank. Therefore, the Board appointed Independent Non-Executive Director, Ms M C Pietersz as the Senior Director with effect from the date of the Chairman's appointment on 9 May 2016. The Terms of Reference for the Senior Director, which was recommended by the Board Governance and Compliance Committee, was adopted by the Board. After the retirement of Ms M C Pietersz from the Board on 22 September 2022, Independent Non-Executive Director, Mr A S Wijesinha was appointed as the Senior Director with effect from 23 September 2022.

3(5)(iii) ☑ - Disclosure of the identity and relationship of the Chairman and the CEO and other Board Members

The declarations submitted by the Directors upon appointment and annually by the continuing Directors as well as the declaration submitted by the CEO confirm that no relationship of any nature (including financial, business, family or other material/relevant relationships) existed between the Chairman and the CEO (who is also a member of the Board) and also did not exist amongst the members on the Board, during the year 2022. However, it should be noted that Directors, Mr W D K Jayawardena (retired from the Board on 31 July 2022), Mr D M D K Thilakaratne and Ms V G S S Kotakadeniya (appointed to the Board as a Non-Executive Director on 17 August 2022) were nominated to the Board by the Bank's material shareholders, Brown & Company PLC and LOLC Investments Ltd and represent common interests; whilst Directors, Mr W M R S Dias and Mr S V Corea were similarly nominated to the Board by the Bank's material shareholder, Sri Lanka Insurance Corporation Ltd.

3(5)(iv)-(x) ☑ - Chairman's Role

The primary role of the Chairman is to provide leadership to the Board and ensuring that the Board is effective in its task of setting and directing the Bank's strategy. The role played by the Chairman was aligned to the requirements set out in this Banking Act Direction, which included:

- Providing leadership and governance of the Board so as to create the conditions for the effectiveness of the overall Board's and individual Directors' effectiveness, it is ensured that all key and appropriate issues are discussed by the Board in a timely manner.
- Ensuring that the agenda for the Board Meetings preparation of which is delegated to the Company Secretary, takes into account important issues facing the Bank and concerns of all Directors and that adequate time is available for thorough discussion of critical and strategic issues.
- Ensuring that Board papers covering adequate information is circulated to the Directors well in advance of the date scheduled for the Meeting. Also ensure Directors, especially new Directors on the Board are duly briefed on issues arising at Board meetings.
- Promoting effective relationships and open communication to create an environment that allows constructive debates and challenges between Non-Executive Directors and the Management.
- Encouraging all Directors to make an active contribution and ensures that the deliberations and decisions of the Board are in the best interest of the Bank. Non-Executive Directors who chair Board Subcommittees and/or are members of the Board Subcommittees play an active role in executing the

responsibilities delegated by the Board to the Committees in the best interest of the Bank.

- Not engaging in direct supervision of the KMP, or in any other executive duties and was only engaged in the oversight capacity along with the other Non-Executive Directors.
- Ensuring that effective communication with shareholders was maintained and that an understanding of the stakeholder views was in place. The general meetings of the Bank were the main forum utilised by the Board as well as the shareholders of the Bank for an effective dialogue with one another while other channels of communication were also being used to ensure that shareholders and all interested parties have equal access to corporate information in the public domain. Corporate announcements and information will be disseminated in accordance with the legal and regulatory requirements applicable to the Bank.

3 (5)(xi) ☑ - Chief Executive Officer

Mr K P Ariyaratne is the CEO of the Bank and is also a Board member. He reports directly to the Board of Directors and is accountable to the Board on the performance of the Bank.

Role of the CEO – The CEO is responsible for the overall management of the business and operations of the Bank. He leads the Management in the day-to-day operations of the Bank in accordance with the Bank's business strategies and plans. With the support of the Management, he implements the strategies and Board approved policies and directions, as well as those of the Board Subcommittees, in pursuit of its' objectives. He leads the Management to ensure effective working relationships

CORPORATE GOVERNANCE

with the Board by meeting and/or communicating with the Chairman on the key developments, issues, opportunities and concerns on a regular basis.

3(6) BOARD APPOINTED

Committees established as per the Banking Act Directions

- Board Audit Committee (1)
- Board Human Resources and Remuneration Committee (2)
- Board Nomination Committee (3)
- Board Integrated Risk Management Committee (4)

Committees established as per the Rules of the Colombo Stock Exchange and as per the Code of Best Practise on Corporate Governance 2017, issued by the CA Sri Lanka

- Board Audit Committee (1)
- Board Human Resources and Remuneration Committee (2)
- Board Nomination Committee (3)
- Related Party Transactions Review Committee (5)

Additional Committees established by the Board

- Board Credit Committee (6)
- Board Marketing and Product Development Committee (7)
- Board Sustainability Committee (8)
- Board Governance and Compliance Committee (9)
- Board Strategic Plan Committee (10)
- Board Information Technology Committee (11)

COMMITTEES

3(6)(i) – Subcommittees appointed by the Board

The Board has established eleven Board Subcommittees (as listed below); five of which were as

required in these directions and/or by the Rules of the Colombo Stock Exchange and further six Subcommittees for purposes referred to in their scope and objectives.

These Board appointed Subcommittees functioned within Board approved Terms of Reference and reported to the Board. All Committees were chaired by Independent Non-Executive Directors. Reports and papers that required the Board's attention and/or decisions were followed up and circulated to the Board along with copies of confirmed minutes of the Committee meetings by the respective Secretaries to the Committees.

The following table provides a summary of the scope and objectives, composition and membership of Directors of eleven Subcommittees. Individual reports of the five Subcommittees mandated by the Banking Act Directions and the Rules of the Colombo Stock exchange (listed above) have also been published in the Annual Report.

Scope and Objectives of the Committee	Composition / Membership / Quorum	Highlights of activities during the year										
<p>1 Board Audit Committee Providing insights to the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and the Code of conduct.</p> <p>[Please also refer section 3(6)(ii) in this Corporate Governance Report and also the Report of the Committee on page 111 and 112 for more disclosures]</p>	<table border="1"> <tr> <td>Independent Non-Executive Directors</td> <td>Ms A A Ludowyke (appointed as a member on 24.08.2022 and as the Chairperson on 23.09.2022), Mr D R Abeyseriya, Mr D M Rupasinghe*</td> </tr> <tr> <td>Non-independent Non-Executive Directors</td> <td>Ms V G S S Kotakadeniya (appointed as a member on 24.08.2022)**</td> </tr> <tr> <td>Executive Directors</td> <td>Nil</td> </tr> <tr> <td>Chairperson</td> <td>Ms A A Ludowyke, Independent Non-Executive Director</td> </tr> <tr> <td>Quorum</td> <td>two members</td> </tr> </table> <p>*Ms M C Pietersz, Independent Non-Executive Director/Senior Director, Chairperson of the Committee retired from the Board on 22 September 2022.</p> <p>** Mr W D K Jayawardena, Non-Executive Director retired from the Board on 31 July 2022.</p> <p>The Head of Internal Audit reports directly to the Committee</p>	Independent Non-Executive Directors	Ms A A Ludowyke (appointed as a member on 24.08.2022 and as the Chairperson on 23.09.2022), Mr D R Abeyseriya, Mr D M Rupasinghe*	Non-independent Non-Executive Directors	Ms V G S S Kotakadeniya (appointed as a member on 24.08.2022)**	Executive Directors	Nil	Chairperson	Ms A A Ludowyke, Independent Non-Executive Director	Quorum	two members	<ul style="list-style-type: none"> • Fifteen meetings were held during 2022. • Agreement on the External Audit Scope and Plan for 2022. • Approval of the Internal Audit Charter. • Approval for the Internal Audit Plan for 2022. • Reviewed, discussed and exercised oversight in the appointment of External Auditors and recommending their re-appointment and fees, determined the independence of External Auditors as per the provisions of the Companies Act and the ICASL's Code of Professional Conduct. • Noted and agreed on the Annual Organisational Independence Confirmation issued by the Head of Internal Audit • Recommended the Engagement of External Auditors on the transfer pricing Audit for 2021/2022 • Evaluation of the adoption of 'Statement of Alternative Treatment' (SoAT) on Surcharge Tax. • Bank's Revised Procedure and Guidelines on Estimating Impairment Allowance under SLFRS 09.
Independent Non-Executive Directors	Ms A A Ludowyke (appointed as a member on 24.08.2022 and as the Chairperson on 23.09.2022), Mr D R Abeyseriya, Mr D M Rupasinghe*											
Non-independent Non-Executive Directors	Ms V G S S Kotakadeniya (appointed as a member on 24.08.2022)**											
Executive Directors	Nil											
Chairperson	Ms A A Ludowyke, Independent Non-Executive Director											
Quorum	two members											

Scope and Objectives of the Committee	Composition / Membership / Quorum	Highlights of activities during the year												
<p>2 Board Human Resources and Remuneration Committee</p> <p>To assist and make recommendations to the Board of Directors in exercising its oversight role and responsibilities on matters related to human resource strategies and policies and determination of compensation, benefits and remuneration for the Directors, the Chief Executive Officer (CEO) and Key Management Personnel (KMPs) of the Bank.</p> <p>[Please also refer section 3(6)(iii) in this Corporate Governance Report and also the Report of the Committee on page 113 and 114 for more disclosures]</p>	<table border="1"> <tr> <td>Independent Non-Executive Directors</td> <td>Mr L H A L Silva (appointed as a member on 24.08.2022 and as the Chairman on 23.09.2022), Ms S K Salgado and Mr D R Abeyesuriya*</td> </tr> <tr> <td>Non-independent Non-Executive Directors</td> <td>Mr S V Corea and Mr D M D K Thilakarathne</td> </tr> <tr> <td>Executive Directors</td> <td>Nil</td> </tr> <tr> <td>Chairman</td> <td>Mr L H A L Silva, Independent Non-Executive Director</td> </tr> <tr> <td>Quorum</td> <td>two members</td> </tr> </table> <p>*Ms M C Pietersz, Independent Non-Executive Director/Senior Director, Chairperson of the Committee retired from the Board on 22 September 2022. Director/CEO and Head of Human Resources were present on invitation</p>	Independent Non-Executive Directors	Mr L H A L Silva (appointed as a member on 24.08.2022 and as the Chairman on 23.09.2022), Ms S K Salgado and Mr D R Abeyesuriya*	Non-independent Non-Executive Directors	Mr S V Corea and Mr D M D K Thilakarathne	Executive Directors	Nil	Chairman	Mr L H A L Silva, Independent Non-Executive Director	Quorum	two members	<ul style="list-style-type: none"> Eight meetings were held during 2022. Analysed the survey conducted by the 'Great Place to Work' organization on Workplace Culture Assessment and Transformation, key focus areas and initiatives with the action plan agreed. Reviewed and recommended Bank's/CEO's proposed KPIs for 2022 and Performance Evaluation of KPIs agreed for 2021. Reviewed the Performance Evaluations of KMPs (direct reports to Director/CEO and Board Subcommittees) for 2021. Recommended the Payment of Performance Bonus to Chief Manager and above grades. Recommended the final proposals for the amendments to the Collective Agreements on revision of staff salaries and benefits for 2022-2023. Reviewed the first and second level succession planning arrangements for direct reportees of KMPs. Recommended the Policy on Human Resources Planning, Selection and Recruitment. 		
Independent Non-Executive Directors	Mr L H A L Silva (appointed as a member on 24.08.2022 and as the Chairman on 23.09.2022), Ms S K Salgado and Mr D R Abeyesuriya*													
Non-independent Non-Executive Directors	Mr S V Corea and Mr D M D K Thilakarathne													
Executive Directors	Nil													
Chairman	Mr L H A L Silva, Independent Non-Executive Director													
Quorum	two members													
<p>3 Board Nomination Committee</p> <p>To assist the Board in fulfilling the role and responsibilities involving appointment of Directors and Key Management Personnel of the Bank.</p> <p>[Please also refer section 3(6)(iv) in this Corporate Governance Report and also the Report of the Committee on page 115 for more disclosures]</p>	<table border="1"> <tr> <td>Independent Non-Executive Directors</td> <td>Mr A S Wijesinha (appointed as the Chairman on 23.09.2022), Mr D M Rupasinghe, Mr L H A L Silva (appointed as a member on 24.08.2022)*</td> </tr> <tr> <td>Non-independent Non-Executive Directors</td> <td>Mr W M R S Dias and Ms V G S S Kotakadeniya (appointed as a member on 24.08.2022)**</td> </tr> <tr> <td>Executive Directors</td> <td>Nil</td> </tr> <tr> <td>Chairman</td> <td>Mr A S Wijesinha, Independent Non-Executive Director/Senior Director</td> </tr> <tr> <td>Quorum</td> <td>two members</td> </tr> </table> <p>*Ms M C Pietersz, Independent Non-Executive Director/Senior Director, Chairperson of the Committee retired from the Board on 22 September 2022 ** Mr W D K Jayawardena, Non-Executive Director retired from the Board on 31 July 2022 Director/CEO and Head of Human Resources were present on invitation.</p>	Independent Non-Executive Directors	Mr A S Wijesinha (appointed as the Chairman on 23.09.2022), Mr D M Rupasinghe, Mr L H A L Silva (appointed as a member on 24.08.2022)*	Non-independent Non-Executive Directors	Mr W M R S Dias and Ms V G S S Kotakadeniya (appointed as a member on 24.08.2022)**	Executive Directors	Nil	Chairman	Mr A S Wijesinha, Independent Non-Executive Director/Senior Director	Quorum	two members	<ul style="list-style-type: none"> Six meetings were held during 2022. Reviewed the Affidavits on Fit and Proper declarations submitted by the continuing Directors in terms of Section 42 of the Banking Act No.30 of 1988 and its Directions (as amended). Reviewed the independent/non-independent status of Non-Executive Directors. Recommended the re-election of Directors who were retiring by rotation at the next Annual General Meeting. Discussed the succession arrangements of Directors to fill the vacancies arisen during the year. Reviewed the recruitments and promotions of the KMPs of the Bank, including the appointment of the Deputy Chief Executive Officer and promotions of Deputy General Managers during the year. 		
Independent Non-Executive Directors	Mr A S Wijesinha (appointed as the Chairman on 23.09.2022), Mr D M Rupasinghe, Mr L H A L Silva (appointed as a member on 24.08.2022)*													
Non-independent Non-Executive Directors	Mr W M R S Dias and Ms V G S S Kotakadeniya (appointed as a member on 24.08.2022)**													
Executive Directors	Nil													
Chairman	Mr A S Wijesinha, Independent Non-Executive Director/Senior Director													
Quorum	two members													
<p>4 Board Integrated Risk Management Committee</p> <p>To assess all risks facing the Bank and its reputation, namely, credit, market, liquidity, operational, technology and strategic risks on a regular basis through appropriate risk indicators and management information, and also to assess the risks faced by the subsidiary.</p> <p>[Please also refer section 3(6)(v) in this Corporate Governance Report and also the Report of the Committee on page 116 and 117 for more disclosures]</p>	<table border="1"> <tr> <td>Independent Non-Executive Directors</td> <td>Mr D R Abeyesuriya, Mr D M Rupasinghe, Mr L H A L Silva (appointed as a member on 24.08.2022) and Ms A A Ludowyke (appointed as a member on 24.08.2022)*</td> </tr> <tr> <td>Non-Independent Non-Executive Directors</td> <td>Mr W M R S Dias</td> </tr> <tr> <td>Executive Directors</td> <td>Mr K P Ariyaratne</td> </tr> <tr> <td>Management</td> <td>Mr L A S Fernando - Chief Risk Officer</td> </tr> <tr> <td>Chairman</td> <td>Mr D R Abeyesuriya, Independent Non-Executive Director</td> </tr> <tr> <td>Quorum</td> <td>two members</td> </tr> </table> <p>*Independent Director/Senior Director, Ms M C Pietersz retired from the Board on 22 September 2022. The Head of Risk (Chief Risk Officer) and the Head of Compliance report directly to the Committee.</p>	Independent Non-Executive Directors	Mr D R Abeyesuriya, Mr D M Rupasinghe, Mr L H A L Silva (appointed as a member on 24.08.2022) and Ms A A Ludowyke (appointed as a member on 24.08.2022)*	Non-Independent Non-Executive Directors	Mr W M R S Dias	Executive Directors	Mr K P Ariyaratne	Management	Mr L A S Fernando - Chief Risk Officer	Chairman	Mr D R Abeyesuriya, Independent Non-Executive Director	Quorum	two members	<ul style="list-style-type: none"> Eight meetings were held during 2022. Assessment of credit, market, liquidity, operational, information security and strategic risks. Review and recommend policies related to risk management and compliance. Review and assessment of the extent of independent credit risk reviews, business continuity planning, disaster recovery testing, information security risk controls, outsourced activities, Risk Control and Self-Assessment (RCSA) Process exercise. Review and assessment of status updates on the implementation of activities as per the Compliance Activity Calendar. Review of the risk assessments and controls of the Bank's subsidiary, Seylan Developments PLC. Physical security assessment of the Bank's head office building. Assessment and Impact of the Macro-economic downturn in the country. Evaluation and review of the Bank's Internal Capital Adequacy and Assessment Process. Review of the Bank's credit risk management framework and set in place an Action Plan to implement an effective Early Warning Indicator monitoring mechanism across the Bank, validate the Bank's SLFRS9 Impairment Models/Internal Risk Rating Models, further development and improvement of the said Models, introduction of a Risk Based Pricing Methodology and using of Internal Risk Rating Models for the computation of SLFRS9 Impairment amounts.
Independent Non-Executive Directors	Mr D R Abeyesuriya, Mr D M Rupasinghe, Mr L H A L Silva (appointed as a member on 24.08.2022) and Ms A A Ludowyke (appointed as a member on 24.08.2022)*													
Non-Independent Non-Executive Directors	Mr W M R S Dias													
Executive Directors	Mr K P Ariyaratne													
Management	Mr L A S Fernando - Chief Risk Officer													
Chairman	Mr D R Abeyesuriya, Independent Non-Executive Director													
Quorum	two members													

CORPORATE GOVERNANCE

Scope and Objectives of the Committee	Composition / Membership / Quorum	Highlights of activities during the year										
<p>5 Related Party Transactions Review Committee</p> <p>To review Related Party Transactions as required by the Listing Rules of Colombo Stock Exchange (and any amendment from time to time) and the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka .</p> <p>[Please also refer section 3(7) in this Corporate Governance Report and also the Report of the Committee on page 118 for more disclosures]</p>	<table border="1"> <tr> <td>Independent Non-Executive Directors</td> <td>Mr D R Abeysuriya, Mr A S Wijesinha and Ms A A Ludowyke (appointed as a member on 24.08.2022)*</td> </tr> <tr> <td>Non-independent Non-Executive Directors</td> <td>Mr S V Corea</td> </tr> <tr> <td>Executive Directors</td> <td>Nil</td> </tr> <tr> <td>Chairman</td> <td>Mr D R Abeysuriya, Independent Non-Executive Director</td> </tr> <tr> <td>Quorum</td> <td>two members</td> </tr> </table> <p>*Independent Director/Senior Director, Ms M C Pietersz retired from the Board on 22 September 2022.</p> <p>Director/CEO and Head of Compliance were present on invitation.</p>	Independent Non-Executive Directors	Mr D R Abeysuriya, Mr A S Wijesinha and Ms A A Ludowyke (appointed as a member on 24.08.2022)*	Non-independent Non-Executive Directors	Mr S V Corea	Executive Directors	Nil	Chairman	Mr D R Abeysuriya, Independent Non-Executive Director	Quorum	two members	<ul style="list-style-type: none"> Four meetings were held during 2022. Reviewed recurrent and non-recurrent related party transactions. Recommended the self-evaluation of the Committee's performance during the year 2022 and Review of the TOR. Reviewed the regular updates of Compliance Department on the existing banking relationships of the related parties.
Independent Non-Executive Directors	Mr D R Abeysuriya, Mr A S Wijesinha and Ms A A Ludowyke (appointed as a member on 24.08.2022)*											
Non-independent Non-Executive Directors	Mr S V Corea											
Executive Directors	Nil											
Chairman	Mr D R Abeysuriya, Independent Non-Executive Director											
Quorum	two members											
<p>6 Board Credit Committee</p> <p>To Improve the business and soundness of the Bank and to promote and reinforce a robust and pervasive credit risk acceptance and management culture by reviewing and guiding/recommending/approving (as appropriate);</p> <ul style="list-style-type: none"> credit facilities; improving credit policies, procedures and lending guidelines; Processes for recoveries, empowerment and accountability for credit decision-making. 	<table border="1"> <tr> <td>Independent Non-Executive Directors</td> <td>Mr A S Wijesinha</td> </tr> <tr> <td>Non-independent Non-Executive Directors</td> <td>Mr S V Corea and Mr D M D K Thilakarathne</td> </tr> <tr> <td>Executive Directors</td> <td>Mr K P Ariyaratne</td> </tr> <tr> <td>Chairman</td> <td>Mr A S Wijesinha, Independent Non-Executive Director/ Senior Director</td> </tr> <tr> <td>Quorum</td> <td>two members</td> </tr> </table> <p>Head of Treasury and Head of Risk were coopted to the Committee. Heads of the business units attended the meetings on invitation.</p>	Independent Non-Executive Directors	Mr A S Wijesinha	Non-independent Non-Executive Directors	Mr S V Corea and Mr D M D K Thilakarathne	Executive Directors	Mr K P Ariyaratne	Chairman	Mr A S Wijesinha, Independent Non-Executive Director/ Senior Director	Quorum	two members	<ul style="list-style-type: none"> Twenty One meetings were held during 2022. Reviewed the Delegated Authority Limits for Lending Officers. Reviewed the Single Borrower Limits overall and on Related party exposures. Reviewed the Performance and outlook of key industry sectors/ sub-sectors and Bank's credit exposure. Reviewed the Customers exposed to Government receivables quarterly with a view to obtaining early warning signs of possible delinquency of facilities. Reviewed the Liquidity Position, Lending Appetite, Lending Strategy on New Businesses, Interest Rates. Reviewed the Limits for Government Securities Transactions of KMPs. Reviewed the Lending related targets set out in the Strategic Plan. Reviewed the Concessions to affected business borrowers amidst the prevailing macro-economic circumstances. Reviewed the Procedure to estimate the recoverability of future cash flows based on disposal of foreclosed immovable properties. Reviewed the Procedure for disposing of foreclosed properties.
Independent Non-Executive Directors	Mr A S Wijesinha											
Non-independent Non-Executive Directors	Mr S V Corea and Mr D M D K Thilakarathne											
Executive Directors	Mr K P Ariyaratne											
Chairman	Mr A S Wijesinha, Independent Non-Executive Director/ Senior Director											
Quorum	two members											
<p>7 Board Marketing and Product Development Committee</p> <p>To review the overall Marketing plans of the Bank to ensure that the plans aim at optimising value creation for the Bank and support the strategic goals. Assess all deposit, lending and investment products of the Bank on a regular basis and satisfy itself that the Bank is actively pursuing new product opportunities and developing viable products with the aim of achieving business growth.</p>	<table border="1"> <tr> <td>Independent Non-Executive Directors</td> <td>Ms S K Salgado and Mr A S Wijesinha</td> </tr> <tr> <td>Non-independent Non-Executive Directors</td> <td>Mr W M R S Dias and Mr D M D K Thilakarathne</td> </tr> <tr> <td>Executive Directors</td> <td>Mr K P Ariyaratne</td> </tr> <tr> <td>Chairperson</td> <td>Ms S K Salgado, Independent Non-Executive Director</td> </tr> <tr> <td>Quorum</td> <td>two members</td> </tr> </table> <p>Head of Marketing and Chief Financial Officer attended the meetings on invitation.</p>	Independent Non-Executive Directors	Ms S K Salgado and Mr A S Wijesinha	Non-independent Non-Executive Directors	Mr W M R S Dias and Mr D M D K Thilakarathne	Executive Directors	Mr K P Ariyaratne	Chairperson	Ms S K Salgado, Independent Non-Executive Director	Quorum	two members	<ul style="list-style-type: none"> Two meetings were held during 2022. Discussed 'Marketing, Sales and Service Quality Plan – 2022': the Brand Key Project, Re-positioning the brand, products and processes, brand imagery performance, corporate brand equity, modernising the logo, employer branding etc. Reviewed the Card consolidation and growth strategy.
Independent Non-Executive Directors	Ms S K Salgado and Mr A S Wijesinha											
Non-independent Non-Executive Directors	Mr W M R S Dias and Mr D M D K Thilakarathne											
Executive Directors	Mr K P Ariyaratne											
Chairperson	Ms S K Salgado, Independent Non-Executive Director											
Quorum	two members											
<p>8 Board Sustainability Committee</p> <p>To make decisions on behalf of the Board within the framework of the authority and responsibilities assigned to the Committee as set out in its Terms of Reference.</p>	<table border="1"> <tr> <td>Independent Non-Executive Directors</td> <td>Ms S K Salgado</td> </tr> <tr> <td>Non-independent Non-Executive Directors</td> <td>Mr S V Corea and Mr D M D K Thilakarathne</td> </tr> <tr> <td>Executive Directors</td> <td>Mr K P Ariyaratne</td> </tr> <tr> <td>Chairperson</td> <td>Ms S K Salgado, Independent Non-Executive Director</td> </tr> <tr> <td>Quorum</td> <td>two members</td> </tr> </table> <p>Head of Marketing, Chief Financial Officer, Sustainability Manager and Management attended the meetings on invitation.</p>	Independent Non-Executive Directors	Ms S K Salgado	Non-independent Non-Executive Directors	Mr S V Corea and Mr D M D K Thilakarathne	Executive Directors	Mr K P Ariyaratne	Chairperson	Ms S K Salgado, Independent Non-Executive Director	Quorum	two members	<ul style="list-style-type: none"> Two meetings were held during 2022. Reviewed the Environmental and Social Management System Policy and Procedure, development of proper structure for Financial Literacy Building Initiative amongst students. Discussed the Sri Lanka Banks' Association's sustainable banking Initiatives and improved E-learning platform, Seylan Pahasara Library Project and commemoration of 35th Anniversary of the Bank. Reviewed and recommended the Terms of Reference of the Committee with amendments. Discussed the Sustainability Strategy of the Bank with the External Consultants.
Independent Non-Executive Directors	Ms S K Salgado											
Non-independent Non-Executive Directors	Mr S V Corea and Mr D M D K Thilakarathne											
Executive Directors	Mr K P Ariyaratne											
Chairperson	Ms S K Salgado, Independent Non-Executive Director											
Quorum	two members											

Scope and Objectives of the Committee	Composition / Membership / Quorum	Highlights of activities during the year										
<p>9 Board Governance and Compliance Committee</p> <p>To assist the Board in adopting appropriate governance standards for the Bank in fulfilling the Board's responsibility for oversight of the corporate governance processes and practices and compliance practices of the Bank consistent with relevant rules, regulations and directions and principles in force and that may come into force from time to time.</p>	<table border="1"> <tr> <td>Independent Non-Executive Directors</td> <td>Mr D M Rupasinghe, Ms A A Ludowyke (appointed as a member on 24.08.2022)*</td> </tr> <tr> <td>Non-independent Non-Executive Directors</td> <td>Mr W M R S Dias and Mr S V Corea</td> </tr> <tr> <td>Executive Directors</td> <td>Nil</td> </tr> <tr> <td>Chairman</td> <td>Mr D M Rupasinghe, Independent Non-Executive Director*</td> </tr> <tr> <td>Quorum</td> <td>two members</td> </tr> </table> <p>*Independent Director/Senior Director, Ms M C Pietersz retired from the Board on 22 September 2022.</p> <p>Director/CEO and Head of Compliance were present on invitation.</p>	Independent Non-Executive Directors	Mr D M Rupasinghe, Ms A A Ludowyke (appointed as a member on 24.08.2022)*	Non-independent Non-Executive Directors	Mr W M R S Dias and Mr S V Corea	Executive Directors	Nil	Chairman	Mr D M Rupasinghe, Independent Non-Executive Director*	Quorum	two members	<ul style="list-style-type: none"> • Four meetings were held during 2022. • Reviewed the results of the Board performance Evaluations in respect of the year ended 2021 and made recommendations to the Board. • Subsidiary, Seylan Developments PLC's Internal Audit assurance on the company's compliance with regulatory requirements. • Review of work relating to the Internal Policy Framework, which included Mapping Policy, Information Security Policy, Treasury Policy, Operational Risk Management Policy and Disclosure Policy. • Self-evaluation of the Committee's performance in 2022 and review of the Terms of Reference. • Recommended the evaluation of the Chairman of the Board, as a new initiative. • Recommended the shareholder communication policy.
Independent Non-Executive Directors	Mr D M Rupasinghe, Ms A A Ludowyke (appointed as a member on 24.08.2022)*											
Non-independent Non-Executive Directors	Mr W M R S Dias and Mr S V Corea											
Executive Directors	Nil											
Chairman	Mr D M Rupasinghe, Independent Non-Executive Director*											
Quorum	two members											
<p>10 Board Strategic Plan Committee</p> <p>Overseeing, monitoring and providing the necessary guidance to the Management to drive and achieve the objectives of the Strategic Plan within the set timelines.</p>	<table border="1"> <tr> <td>Independent Non-Executive Directors</td> <td>Mr A S Wijesinha, Ms S K Salgado and Mr D R Abeysuriya</td> </tr> <tr> <td>Non-Independent Non-Executive Directors</td> <td>Nil</td> </tr> <tr> <td>Executive Directors</td> <td>Mr K P Ariyaratne</td> </tr> <tr> <td>Chairman</td> <td>Mr A S Wijesinha, Independent Non-Executive Director/ Senior Director</td> </tr> <tr> <td>Quorum</td> <td>two members</td> </tr> </table> <p>Senior Management and heads of strategic business units attended the meetings on invitation.</p>	Independent Non-Executive Directors	Mr A S Wijesinha, Ms S K Salgado and Mr D R Abeysuriya	Non-Independent Non-Executive Directors	Nil	Executive Directors	Mr K P Ariyaratne	Chairman	Mr A S Wijesinha, Independent Non-Executive Director/ Senior Director	Quorum	two members	<ul style="list-style-type: none"> • Three meetings were held during 2022. • Reviewed the progress update on the Strategic Plan 2021/2023 covering key achievements and setbacks in 2021 and impact analysis. • Discussed the formulation of strategic initiatives on unexplored, potential areas to be incorporated in the current strategic plan. • Discussed the extension of the current strategic plan for 2024, with modifications to 2023 strategic plan. • Reviewed self-evaluation of the Committee for 2022 and the revised Terms of Reference.
Independent Non-Executive Directors	Mr A S Wijesinha, Ms S K Salgado and Mr D R Abeysuriya											
Non-Independent Non-Executive Directors	Nil											
Executive Directors	Mr K P Ariyaratne											
Chairman	Mr A S Wijesinha, Independent Non-Executive Director/ Senior Director											
Quorum	two members											
<p>11 Board Information Technology Committee</p> <p>To assist the Board in fulfilling its' corporate governance and oversight responsibilities for the Bank's investments and strategy in relation to digital, information technology and information systems.</p>	<table border="1"> <tr> <td>Independent Non-Executive Directors</td> <td>Mr D R Abeysuriya, Mr A S Wijesinha and Mr L H A L Silva (appointed as a member on 24.08.2022)</td> </tr> <tr> <td>Non-independent Non-Executive Directors</td> <td>Nil</td> </tr> <tr> <td>Executive Directors</td> <td>Mr K P Ariyaratne</td> </tr> <tr> <td>Chairman</td> <td>Mr D R Abeysuriya, Independent Non-Executive Director</td> </tr> <tr> <td>Quorum</td> <td>two members</td> </tr> </table> <p>Deputy CEO, Chief Information Officer, Head of Digital Channels, Chief Financial Officer and other senior management members attended the meetings on invitation.</p>	Independent Non-Executive Directors	Mr D R Abeysuriya, Mr A S Wijesinha and Mr L H A L Silva (appointed as a member on 24.08.2022)	Non-independent Non-Executive Directors	Nil	Executive Directors	Mr K P Ariyaratne	Chairman	Mr D R Abeysuriya, Independent Non-Executive Director	Quorum	two members	<p>The Committee reviewed and discussed at the meeting held during 2022 the following:</p> <ul style="list-style-type: none"> • IT Strategy for 2022 – Two-Speed IT. • Digital Building Blocks. • Digital Channels - Euronet Channel Manager to drive CRMs • Digital Channel: Internet and Mobile Banking Solution. • JustPay Implementation - Phase I and Phase II. • Entered in to a contract with Paymedia to upgrade SeylanPay app. • Implemented Software System Infrastructure for ESB/Web Services and Data Warehouse.
Independent Non-Executive Directors	Mr D R Abeysuriya, Mr A S Wijesinha and Mr L H A L Silva (appointed as a member on 24.08.2022)											
Non-independent Non-Executive Directors	Nil											
Executive Directors	Mr K P Ariyaratne											
Chairman	Mr D R Abeysuriya, Independent Non-Executive Director											
Quorum	two members											

All these Committees carried out self-assessments and submitted their reports to the Board for review. The Board was satisfied that the Committees have carried out their responsibilities in a satisfactory manner.

CORPORATE GOVERNANCE

Directors' Attendance at Board Subcommittees Meetings during 2022

Director	Audit	Human Resources and Remuneration	Nomination	Integrated Risk Management	Related Party Transactions Review	Credit	Marketing and Product Development	Sustainability	Governance and Compliance	Strategic Plan	Information Technology
Mr W M R S Dias Non-Executive Director/ Chairman			(M) 6 of 6	(M) 8 of 8			(M) 2 of 2		(M) 4 of 4		
Mr W D Kapila Jayawardena Non-Executive Director/ Deputy Chairman	(M) 4 of 6		(M) 3 of 4								
Ms M Coralie Pietersz Independent Director / Senior Director	(C) 8 of 8	(C) 5 of 5	(C) 6 of 6	(M) 4 of 5	(M) 3 of 3				(M) 3 of 3		
Mr Kapila P Ariyaratne Director/Chief Executive Officer				(M) 4 of 7		(M) 17 of 21	(M) 1 of 2	(M) 0 of 2		(M) 2 of 3	(M) 1 of 1
Mr S Viran Corea Non-Executive Director		(M) 8 of 8			(M) 4 of 4	(M) 21 of 21		(M) 2 of 2	(M) 4 of 4		
Mr Anushka S Wijesinha Independent Director/Senior Director			(C) 6 of 6	(M) 4 of 4		(C) 21 of 21	(M) 2 of 2			(C) 3 of 3	(M) 1 of 1
Ms Sandya K Salgado Independent Director		(M) 8 of 8					(C) 2 of 2	(C) 2 of 2		(M) 3 of 3	
Mr D M D Krishan Thilakaratne Non-Executive Director		(M) 8 of 8				(M) 20 of 21	(M) 1 of 2	(M) 2 of 2			
Mr D R Abeysuriya Independent Director	(M) 15 of 15	(M) 8 of 8		(C) 8 of 8	(C) 4 of 4					(M) 3 of 3	(C) 1 of 1
Mr D M Rupasinghe Independent Director	(M) 15 of 15		(M) 6 of 6	(M) 8 of 8					(C) 4 of 4		
Mr L H A Lakshman Silva Independent Director		(C) 3 of 4	(M) 0 of 1	(M) 4 of 4							*
Ms V G S Sunjeevani Kotakadeniya Non-Executive Director	(M) 8 of 8		(M) 1 of 1								
Ms Averil A Ludowyke Independent Director	(C) 8 of 8			(M) 4 of 4	(M) 2 of 2				(M) 2 of 2		

• Mr W D Kapila Jayawardena ceased to be a member after his retirement from the Bank on 31 July 2022.
 • Ms M Coralie Pietersz ceased to be a member after her retirement from the Bank on 22 September 2022.
 • Ms Averil A Ludowyke was appointed as a member of the respective Subcommittees w.e.f. 24 August 2022 and the Chairperson of the Board Audit Committee w.e.f. 23 September 2022.
 • Mr Anushka S Wijesinha was appointed as the Chairman of the Board Nomination Committee w.e.f. 23 September 2022 and the Senior Director of the Bank w.e.f. 23 September 2022
 • Mr L H A Lakshman Silva was appointed as a member of the respective Subcommittees w.e.f. 24 August 2022 and the Chairman of the Board Human Resources and Remuneration Committee w.e.f. 23 September 2022. (* No Board Information Technology Committee meetings were held since 24 August 2022.)
 • Mr K P Ariyaratne was eligible to attend only for seven meetings of Board Integrated Risk Management Committee.

Minimum Number / Frequency of meetings to be held by the Subcommittees	Six meetings per annum	Thrice per annum	Thrice per annum	Four times per annum	Once every calendar quarter	Five times in a quarter	Thrice per annum	Twice per annum	Quarterly or four times per annum	Thrice per annum	Twice per annum
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3(6)(ii) Board Audit Committee (BAC)**3(6)(ii)(a) - (ii)(b) - Members and Chairperson of the Board Audit Committee**

Ms M C Pietersz (BSc, MBA, ACA, FCA, FCMA) was an Independent Non-Executive Director. She was appointed to the BAC as its Chairperson with effect from 27 September 2013 and served until her retirement on 22 September 2022. Ms Pietersz counted over 30 years' experience

in finance, banking, accounting and audit. Ms A A Ludowyke (Independent Director appointed to the Board on 17.08.2022) [FCA (CA Sri Lanka), FCMA (UK)] was appointed as the Chairperson of the Committee w.e.f. 23.09.2022. She counts over 36 years of experience in auditing, accounting and finance. All Committee members are Non-Executive Directors.

The BAC comprised four Non-Executive Directors during the year 2022, three of whom at any

given time were independent, namely, Ms M C Pietersz (retired from the Board on 22.09.2022), Ms A A Ludowyke (appointed on 24.08.2022), Mr D R Abeysuriya and Mr D M Rupasinghe. Mr W D K Jayawardena (retired from the Board on 31.07.2022) and Ms V G S S Kotakadeniya (appointed on 24.08.2022) were Non-Independent Non-Executive Directors. The Company Secretary of the Bank functioned as the Secretary to the Committee during the year.

3(6)(ii)(c) - (ii)(d) ✓ - External Auditors

The BAC reviewed and/or made relevant recommendations in this regard which included the following:

- M/s KPMG's appointment as the Auditors for the financial year 2022 which was approved by the shareholders at the Annual General Meeting held on 30 March 2022.
- The implementation of guidelines issued by the Central Bank of Sri Lanka, the application of the Sri Lanka Accounting Standards (SLFRS/ LKAS).
- The incumbent Audit Partner was engaged for the financial year 2019. The Audit Partner was not engaged in the Bank's audit prior to the current engagement.
- Representations made by the External Auditors stating their independence, the objectivity and effectiveness of the audit processes in accordance with applicable standards and best practices in respect of the audit for the financial year 2021.

Further, prior to the publishing of this report in February 2023, the Committee determined the independence of the External Auditors, M/s KPMG, Chartered Accountants as per the provisions of the Companies Act and the CA Sri Lanka's Code of Professional Conduct and recommended their re-appointment as the Auditors of the Bank for the financial year 2023 subject to the concurrence of its recommendation by the Board and approval of the Shareholders at the forthcoming Annual General Meeting.

3(6)(ii)(e) ✓ - Non-Audit Services

The BAC reviewed the non-audit services provided by the External Auditors and was of the view that such services were not within the category of services identified as restricted under the guidelines issued by the Central Bank of Sri

Lanka for External Auditors relating to their statutory duties in terms of section 39 of Banking Act No. 30 of 1988 and as amended by Banking Act No. 33 of 1995. The Policy relating to the engagement of non-audit services was reviewed and renewed during the year.

3(6)(ii)(f) ✓ - Scope of External Audit

The nature, scope and approach of audit in respect of the financial year, 2022, was presented by the External Auditors, discussed and agreed upon at a meeting held with the Auditors in the last quarter of 2022. The scope also covered the assessment of the Bank's compliance with the Banking Act Directions on Corporate Governance and the Management's internal controls over financial reporting; the preparation of financial statements in accordance with the relevant accounting principles and reporting obligations and compliance with Banking Act instructions, guidelines and directions. The audit of the Bank's subsidiary was also carried out by the same External Auditor and therefore, there was no requirement for coordination with more than one audit firm.

3(6)(ii)(g) ✓ - Review of the Bank's Financial Information

Internal Auditors performed certain audit procedures with regard to interim unaudited financial statements for the 3 months ended 31 March 2022 and 9 months ended 30 September 2022 whilst the audited financial statements for the half-year ended 30 June 2022 and the year ended 31 December 2022 were reviewed/ audited by the External Auditors, all of which were prepared from the Bank's accounting records, in accordance with the Accounting Standards and relevant legal and regulatory guidelines. Observations/comments and appropriate changes recommended by the Auditors were taken into consideration and incorporated to the financial statements and submitted to the BAC by the Chief Financial Officer. In fulfilling its oversight responsibilities, the Committee reviewed and

discussed the contents of the financial statements, focusing on applicable accounting principles, reasonableness of significant adjustments and estimates, major judgmental areas etc., which assisted the Board in its oversight and decision on the Financial Statements which provided a true and fair view on the financial position and performance of the Bank being disclosed.

3(6)(ii)(h) ✓ - Meeting with the External Auditors

The BAC met with the External Auditors without the presence of the Management and the Director/ CEO twice during the year and discussed important issues and areas of concerns arising from the interim and final audits to ensure that there was no limitation of scope in relation to the audit and to allow for full disclosure of any incidents which could have had a negative impact on the effectiveness of the external audit. The Committee noted to follow up with Management, areas of concerns/findings of the external audit.

The External Auditors were also invited to meetings of the BAC at which they presented and discussed with the Committee, key audit findings from the year-end and half-year audit reviews and also the scope and approach for the 2022 audit review.

3(6)(ii)(i) ✓ - Management Letter of the External Auditors

The BAC reviewed and discussed the Management Letter in respect of the external audit conducted for the financial year ended 31 December 2021, the responses of the Management and their agreed action to address/rectify as appropriate. The BAC also reviewed the External Auditors' findings and observations on the Interim Audit conducted on the financials for the six months ended 30 June 2022 and issued appropriate recommendations and guidance to ensure that issues were duly addressed/rectified by the management concerned.

CORPORATE GOVERNANCE

3(6)(ii)(j)I - Internal Audit Scope and Functions

The BAC reviewed the adequacy of the internal audit function and ensured that it conformed to the principles of the Internal Audit Charter which defines the scope, functions, authority, responsibility, adjudication, external relationship management and ethics that assist and direct/guide the Internal Audit Department (IAD) to discharge its functions effectively. The Internal Audit Charter was reviewed and approved by the Committee during the year.

3(6)(ii)(j)II - Internal Audit Plan

The IAD carried out its activities in line with the approved Internal Audit Plan for the year 2022. The IAD reported on the audits carried out as per the Audit Plan and updated the Committee on the status and extent of addressing/resolving the findings of audits carried out by the Management concerned. The Bank has adopted a risk-based audit approach towards assessing the effectiveness of the internal control procedures in place to identify and manage all significant risks. Reports on the same were submitted to the Committee, discussed and issued advice/ instructions to relevant Management staff members calling for assurances on the remedial action in respect of identified risks from the audit findings, which ensured the effectiveness of internal control procedures.

The Internal Audit Plan in respect of the year 2022 was approved by the BAC and the performance of the IAD against the approved plan was reviewed at the regular meetings held in 2022.

3(6)(ii)(j)III - Appraisals/ assessments of performance of Senior Staff of the Internal Audit

The Committee evaluated the performance of the Head of Internal Audit and the second in line to the Head of Internal Audit during the year 2021 at its meeting held in January 2022. The Committee reviewed the performance appraisals of the

other senior staff of the Internal Audit Department for the year 2021 carried out by the Head of Internal Audit during the first quarter 2022.

3(6)(ii)(j) IV and V - Adequacy of human resources for Internal Audit function

The BAC reviewed the appropriateness of the structure and the adequacy of resources for the Internal Audit function including resignations and retirements of senior staff members during the year and provided relevant advice.

3(6)(ii)(j)VI - Independence of the Internal Audit function

The BAC ensured that the Internal Audit function was independent of the activities it audits and that it was performed with impartiality, proficiency and due professional care. The Head of Internal Audit directly reports to the BAC.

3(6)(ii)(k) - Findings of the Internal Audit

Internal Audit and investigation findings with attention on major findings were reported to the BAC and taken up at the BAC Meetings that followed, discussed and appropriate recommendations made where necessary.

3(6)(ii)(l) - Invitees to the Meetings of the BAC

The Head of Internal Audit and the Chief Financial Officer attended the regular meetings of the BAC during the year. The Chief Executive Officer, the Chief Manager- Internal Audit and heads of operational and business units, Information Technology, Compliance and Human Resources were invited to the Meetings when the Committee required their presence to report and/or respond to queries on related audit findings and related matters. The BAC also invited the External Auditors to present their findings, observations and the external audit scope and plan.

3(6)(ii)(m) - Authority to Investigate

The Terms of Reference of the BAC provides the BAC the authority to

investigate into any matter within the scope of its Terms of Reference, obtain the resources which it needs to carry out the investigation, full access to information, authority to obtain external professional advice and to invite outsiders with relevant experience to be involved, if necessary.

3(6)(ii)(n) and 3(6)(ii)(p) - Meetings of the BAC

The BAC held fifteen meetings during the year with due notice. These included separate meetings for reviewing internal audit reports and financial updates, meetings for the financial statements and meetings with the External Auditors. Head of Internal Audit and the Chief Financial Officer discussed their areas of functions and concerns, and BAC provided appropriate advice at the meetings held where necessary.

The Agenda and the papers for discussions and consideration/ approval were circulated prior to the Meeting. The minutes of the proceedings of the Meetings were recorded in sufficient detail and maintained by the Company Secretary who functioned as the Secretary to the Committee.

3(6)(ii)(o) - Report of the BAC

A Report of the BAC signed by the Chairperson is included on page 111 and 112 of this Annual Report outlining the scope and responsibilities as well as activities of the BAC. The number of meetings and appropriate reference to the attendance of the members at the meetings held during the year is given under Section 3(6)(i) of this Report.

3(6)(ii)(q) - Reporting of Concerns about Possible Improprieties / Whistle Blowing

The Committee continuously emphasised on the requirement that ethical values are upheld by the staff members. In this regard, in addition to the Employees' Code of Ethics and Code of Conduct,

the Bank has put in place a Policy on Whistle Blowing and a Policy on Anti-Bribery and Corruption. Relevant line management has been advised to ensure that highest standards of corporate governance and adherence to the Bank's Code of Ethics is maintained.

The BAC ensured that all employees are duly informed and duly advised of the effective use of the whistle blowing process if they suspect wrongdoings or other improprieties. The Whistle Blowing Policy encompass defined and specific provisions for whistle-blower protection which includes the maintenance of strict confidentiality of the identity of the whistle-blowers and the right to anonymity. Secure and multi-channel escalation paths are made available for whistle-blowers.

All appropriate procedures have been put in place to conduct independent investigations by the Internal Audit Department on complaints/incidents reported directly through whistle blowers or other identified means. The consequent disciplinary process and procedures are operated by the Human Resource Department. The investigations carried out on such complaints/incidents were reported to the BAC by the Head of Internal Audit including appropriate recommendations/follow up action.

3(6)(iii) Board Human Resources and Remuneration Committee (BHRRC)

3(6)(iii)(a) - Determination of the Remuneration Policy

This is a key responsibility of the Board Human Resources and Remuneration Committee (BHRRC). The BHRRC on behalf of the Board aims to establish a transparent procedure for determining the remuneration, salaries, allowances and other financial or non-financial benefits, perquisites, special incentives, etc., to Directors, the Chief Executive Officer (CEO), the Key Management Personnel (KMPs) as well as other employees of the Bank. A Board approved Remuneration Policy is in place.

Based on the recommendation of the Committee, Directors collectively decide on the remuneration and benefits for the CEO as well as professional fees and benefits (if any) to the Non-Executive Directors. The Committee seeks independent advice to determine revisions and compensation packages when deemed necessary to discharge these responsibilities. No Director or KMP is involved in deciding his or her remuneration.

3(6)(iii)(b) - Goals and Targets

The Key Performance Indicators (KPIs/goals and targets) of CEO for the year 2022 were tabled and approved by the Board upon being recommended by the Committee. The KPIs for the KMPs were thereafter submitted to the meeting of the Committee and agreed upon.

3(6)(iii)(c) - Evaluations of the performance of the CEO and the KMPs

The BHRRC considered the evaluations of the performance of the CEO and the KMPs against the approved KPIs for the year 2021 and determined the revision of remuneration and profit/performance based bonus in the year, 2022.

3(6)(iii)(d) - Proceedings at Meetings of the BHRRC

The BHRRC comprised three Independent Directors and two Non-Executive Directors during the year and was chaired by Independent Director, Ms M C Pietersz until her retirement from the Board on 22.09.2022. Mr L H A L Silva who was appointed to the Board on 18 July 2022 acted as the Chairman of the Committee w.e.f. 23 September 2022. Eight meetings of the Committee were held during the year. Director/CEO and the Head of Human Resources attended the meetings of the Committee when invited. They were not present at meetings of the Committee, when matters relating to them were being discussed.

3(6)(iv) Board Nomination Committee (BNC)

3(6)(iv)(a) - Procedure Selection/Appointment of Directors, Chief Executive Officer (CEO) and Key Management Personnel (KMPs)

Appointment of the CEO and the KMPs is within the scope and responsibilities of the Board Nomination Committee (BNC) as specified in its Terms of Reference. The BNC has adopted a Board approved Policy Governing Appointment of Directors for this purpose.

3(6)(iv)(b) - Re-election of current Directors

The BNC considered and recommended the re-election of Directors who were due to retire in accordance with the Bank's Articles of Association taking into account their contributions to the Board. Upon obtaining the Board's concurrence to the BNC's recommendation, they were included in the Agenda of the Annual General Meeting (AGM) held during the year, proposing and seeking shareholders' approval for the re-election.

Non-Executive Directors who were subject to retirement by rotation and re-elected by the shareholders at the AGMs held during the last three years were as follows:

CORPORATE GOVERNANCE

AGM held in	Directors Re-elected
2020	Mr A S Wijesinha, Ms S K Salgado and Mr W D K Jayawardena
2021	Ms M C Pietersz, Mr P L S K Perera, Mr D M D K Thilakarathne
2022	Mr W M R S Dias and Mr D R Abeyseriya

Re-election of Directors in 2023

The BNC and the Board have recommended the proposals for the re-election of Directors, Mr S V Corea and Mr A S Wijesinha who are due to retire by rotation in terms of Article 82 at the AGM scheduled to be held in 2023. The proposals for their re-election have been included in the Notice of the AGM to seek shareholders' approval.

3(6)(iv)(c) - Criteria for eligibility – CEO and KMPs

The Committee reviews and agrees on the criteria for eligibility such as qualifications, experience and key attributes for appointments or promotions to the positions of key management personnel and the CEO. These are documented in the respective job descriptions of the CEO and of the KMPs.

3(6)(iv)(d) - Fitness and Propriety of Directors, CEO and KMPs

Affidavits and declarations to assess the fitness and propriety of Directors, CEO and KMPs in terms of the Banking Act and its Directions were obtained prior to the appointment of Directors and at the time of appointing KMPs or promoting to the KMP positions. Prior to the date of the AGM of the Bank in 2022, affidavits submitted by the continuing Directors were forwarded to the Director, Bank Supervision, Central Bank of Sri Lanka (CBSL) for review and approval in terms of Section 42 of the Banking Act No.30 of 1988 (as amended) and related Directions. The Directors also submitted affidavits in compliance with the Bank's Fit and Proper Policy in line with the guidelines of the Securities and Exchange Commission of Sri Lanka (SEC) and such Affidavits were submitted to the SEC as and when required.

3(6)(iv)(e) - Succession Plan

The BNC considered and discussed matters relating to new expertise and the succession plan arrangements for the CEO and for the KMPs at its meetings held during the year.

3(6)(iv)(f) - Composition and Chairman of BNC

The BNC comprised five Non-Executive Directors during the year, 2022, the majority of whom were independent. The BNC was chaired by Independent Director, Ms M C Pietersz until her retirement from the Board on 22 September 2022. Independent Director, Mr A S Wijesinha was appointed as the Chairman of the Committee on 23 September 2022. The Director/CEO attended the meetings of the BNC on invitation.

3(6)(v) Board Integrated Risk Management Committee (BIRMC)

3(6)(v)(a) - Composition of the Committee - The Board Integrated Risk Management Committee (BIRMC) comprised seven members; four Independent Directors, one Non-Executive Director, the Chief Executive Officer and the Chief Risk Officer. The Committee was chaired by Independent Director, Mr D R Abeyseriya. The Chief Risk Officer is the Key Management Personnel in charge of supervising broad risk categories, i.e., market, liquidity, operations, credit, reputational and strategic risks and reports directly to the Committee. The Head of Compliance and the Chief Financial Officer were co-opted to the Committee and they attended the regular meetings of the Committee. Other Key Management Personnel and Management attended the meetings when invited by the Committee.

3(6)(v)(b) - Assessment of Risks

The Risk Management Unit (RMU) is responsible to create, to manage and to implement a pervasive bank-wide risk culture. Towards meeting this requirement, the three executive Subcommittees of the BIRMC, namely the Assets and Liability Management Committee (ALCO), the Executive Credit Risk Management Committee (ECRMC) and the Executive Market and Operational Risk Management Committee (EMORMC) assessed and reviewed the respective categories of risks namely; credit, market, liquidity and operational risks coming under their respective purview. Key matters and issues arising therefrom were reported to the BIRMC at its quarterly meetings. The BIRMC reviewed such reports and gave appropriate advice and guidance to the Management. The Integrated Risk Management Policy and other risk management policies which were reviewed and recommended by the BIRMC and approved by the Board provide a framework for assessment and management of the overall risks to the Bank.

The BIRMC also reviewed the risk assessments of the Bank's only subsidiary, Seylan Developments PLC, the principal activities of which are property development and management.

3(6)(v)(c) - Effectiveness of Management Level Committees

The reports submitted by the Chief Risk Officer to the BIRMC pursuant to the proceedings of the ALCO, the ECRMC and the EMORMC as well as the minutes of the said committees were reviewed and the effectiveness of these committees were assessed by the BIRMC at its regular quarterly meetings.

3(6)(v)(d) - Actions to mitigate specific risks

The BIRMC advises on corrective action by the Management to mitigate the effects of specific risks where such risks are at levels beyond the prudent levels

approved by the committee or where they are not in line with the Bank's policies and/or regulatory requirements.

3(6)(v)(e) - Frequency of Meetings

In accordance with the Terms of Reference, the committee met quarterly. Four such regular meetings and four special meetings were held during the year.

3(6)(v)(f) - Action against those who fail to identify specific risks

Officers responsible at branches and/or departments failing to identify specific risks and the consequent impact to the Bank were identified during the internal audit reviews. If such actions required audit investigations, they were carried out accordingly. Depending on the nature of the offence they were reported to the line management and/or to the Head of Human Resources and/or to the Chief Executive Officer for disciplinary or other appropriate action.

Reports on high-risk offences including line Management's action taken to prevent such lapses in the future, were submitted to the BIRMC if deemed appropriate for information and advice or instructions.

3(6)(v)(g) - Risk Assessment Report to the Board

Risk Assessment Reports were submitted to the Board meetings that were held after the quarterly BIRMC meetings. Copies of the confirmed minutes of the committee and recommendations of the committee were also submitted to the Board meeting that followed the committee meetings for the Board's perusal and appropriate decisions/concurrence.

3(6)(v)(h) - Compliance Function

The Bank has in place an independent compliance function headed by the Head of Compliance, who is a Key Management

Personnel and reporting directly to the BIRMC. The Head of Compliance submitted status reports and risk reports on compliance, quarterly to the Board. The BIRMC provided appropriate guidance and advice pursuant to closely scrutinising the status of compliance with mandatory banking and other statutory requirements and also the systems and procedures that are in place to ensure compliance with such requirements.

3(7) Related Party Transactions

3(7)(i) - Avoidance of Conflicts of Interest

A Board approved Policy and Process on Related Party Transactions and Avoidance of Conflicts of Interest (hereinafter referred to as 'the Policy' or 'Policy on RPTs') of the Bank is in place. The Directors being aware of their responsibility towards complying with the requirements of this policy, ensured that conflicts of interest did not arise when transactions which were considered at Board and Board Sub-committee meetings in which they had an interest, particularly with related parties of the Bank as defined in Direction No.3(7)(i), which includes:

- *Bank's subsidiary companies (the Bank has only one subsidiary, Seylan Developments PLC);*
- *Bank's associate companies (the Bank has no associate companies);*
- *Directors of the Bank;*
- *Key Management Personnel (KMPs);*
- *A close relation of any of the Bank's Directors or of the KMPs;*
- *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 had a substantial interest*

3(7)(ii) - Types of Transactions with related parties

Transactions defined under this direction as well as those defined under Sri Lanka Accounting Standards – LKAS 24, are included in the Bank's Policy on RPTs and any such transactions carried out by the Bank in the normal course of business were closely monitored to assess whether they have deviated from the rules set out in the Policy on RPTs.

3(7)(iii) - Favourable Treatment

The Bank did not engage in transactions with related parties, 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 such as; charging of a lower rate of interest than the Bank's lending rate charged to non-related party customers or paying more than the Bank's deposit rate for a comparable transaction with an unrelated comparable counterparty; and providing services to or receiving services from a related party without an evaluation procedure.

The Board has set a prudent percentage of the Bank's regulatory capital to limit total net accommodation to related parties which the said limit is monitored by the Risk Management Unit and the Executive Credit Risk Management Committee, a subcommittee of the Board Integrated Risk Management Committee (BIRMC). The percentage of total accommodation granted to related parties was reported by the Chief Risk Officer to the BIRMC on a quarterly basis.

The Board approved Policy on RPTs emphasises that all employees are aware of the policy and guidelines set out therein. Heads of Divisions/relevant officers who deal in related party transactions follow the Policy guidelines in their evaluations of related party transactions and provide a confirmation when submitting the return of such transactions to the Compliance

CORPORATE GOVERNANCE

Unit on a quarterly basis. The Compliance unit has adopted a mechanism to monitor and ensure that the policy guidelines are complied.

3(7)(iv) - Accommodation to a Director or to a close relation of a Director

Credit facility accommodations to Directors were granted with the approval of the Board with not less than two-thirds of the number of Directors other than the Director concerned. In rare occasions covering approval/s were also granted for a few such accommodations. The Board ensured that such accommodations were secured by such security as may from time to time be determined by the Monetary Board of the Central Bank of Sri Lanka (the Monetary Board).

3(7)(v) - Obtaining of required security for accommodation granted to a related party of a Director being appointed or to a Director individually prior to such Director being appointed

There was no requirement to comply with this direction during the year. Independent Director, Mr L H A L Silva, Non-Executive Director, Ms V G S S Kotakadeniya and Independent Director, Ms A A Ludowyke who were appointed during 2022, did not have any credit facility accommodation with the Bank at the time of their appointments.

3(7)(vi) - Accommodation to employees or related parties connected to the employees

No accommodation has been granted on "more favourable" terms such as 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 in respect of accommodations to employees based on the scheme/s applicable to the employees of the Bank or where such accommodation is secured by such security as may be approved by the Monetary Board in respect of accommodation granted, in a similar manner as described in Direction 3(7)(v).

3(7)(vii) - Prior approval of Monetary Board for Remittance of Accommodation

There was no requirement to comply with the requirement of this section during 2022, based on the comments made under Direction 3(7)(v) and 3(7)(vi) above.

3(8) Disclosures

3(8)(i) - Annual Audited Financial Statements and Quarterly Financial Statements

The Annual Audited Financial Statements and Quarterly Financial Statements were prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and the Accounting Standards. Annual Audited Financial Statements were published in the Annual Report while the Quarterly Financial Statements were published in an abridged form, in the newspapers in all three languages.

The above Reports were released to the Colombo Stock Exchange (CSE) and uploaded on its website www.cse.lk for the information of the shareholders and the general public prior to publishing in the newspapers. The reports were also made available on the Bank's corporate website www.seylan.lk.

3(8)(ii)(a) - Statement of Directors' Responsibility for Financial Reporting and Statements of the Chief Executive Officer's and Chief Financial Officer's Responsibility for Financial Reporting

These two reports which have been published in the Annual Report confirm that the Financial

Statements for the year ended 31 December 2022 have been prepared in line with applicable standards and regulatory requirements (Reference: page 158 and 159).

3(8)(ii)(b) - Directors' Statement on Internal Control

The Statement on Internal Control published in the Annual Report confirms that the financial reporting system provides reasonable assurance regarding the financial report and that the preparation of the financial statements for external purposes has been done in accordance with all relevant accounting principles and regulatory requirements (Reference: page 119 and 120).

3(8)(ii)(c) - External Auditors' Certification on the Effectiveness of Internal Control

The Bank has obtained an Assurance Report on the internal controls over financial reporting from the External Auditors in accordance with the "Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Reports for Banks on Directors' Statements on Internal Control" and the same is published in this Annual Report (Reference: page 121).

3(8)(ii)(d) - Details of the Directors

Please refer the pages of the Annual Report for the respective information as mentioned in table below:

Details	Section of the Annual Report	Page/s
Names, qualifications, expertise	Profile of the Directors	76 to 80
Fitness and Propriety	Report of the Board of Directors and Section 3(6)(iv)(d) of the Corporate Governance Report	125 106
Details on Directors interest in other entities	Annexure to the Report of the Board of Directors	130 to 132
Transactions with the Bank/ Related Party Transactions	Note 51 to the Financial Statements	262 to 266
Fees/Remuneration paid to Directors	Disclosure under Direction 3(8)(ii) (f) of this report.	109

3(8)(ii)(e) - Total Net Accommodations to Related Parties

Disclosure on accommodations granted to related parties is given in Note 51.1 and 51.2 to the Financial Statements.

The net accommodation as at 31 December 2022, granted to each category of related parties as defined in Direction 3(7)(i) and as per LKAS 24 is given below as a percentage of the Bank's regulatory capital.

Category of Related Party Transactions	Amount (LKR 'Million')	% of regulatory capital
Directors, Key Management Personnel and their close relations (Transactions including credit card accommodations)	581.75	0.92%
Subsidiary, Seylan Developments PLC	175.00	0.28%
Material shareholders of the Bank and concerns in which a Director of the Bank or material shareholder has a substantial interest *	19,137.23	30.15%
Other entities including common Directorship Entities **	4,277.76	6.74%

* Includes accommodations non-funded, undrawn facilities – LKR 6,295.19 Mn. Excluding LKR 50.0 Mn Debenture Investment held by Seylan Developments PLC, which is accounted in consolidated financial statements.

** Includes accommodation non-funded, undrawn facilities – LKR 2,413.67 Mn.

3(8)(ii)(f) - Remuneration to Key Management Personnel (KMPs) and transactions with KMPs and aggregate values of the transactions of the Bank with its KMPs

The aggregate remuneration paid to Key Management Personnel and transactions of the Bank with Key Management personnel during the year 2022 were as follows.

Remuneration / Transaction	Amount (LKR 'Million')
Remuneration to Executive Directors and KMPs (as per CBSL definition)*	400.73
Directors' Fees for Non-Executive Directors	31.37
Loans and Advances (including Securities purchased under Re-sale Agreements and Credit Card accommodations to KMPs and Non-Executive Directors)	581.75
Deposits of KMPs and Non-Executive Directors	757.29
Investments by KMPs and Non-Executive Directors –Other Investments (Liability)	98.21

* Includes cash/non cash benefits and post-employment benefits to Directors and KMPs.

3(8)(ii)(g) - External Auditors Certification of the Compliance with Direction No.11 of 2007 on Corporate Governance

The External Auditors were engaged to perform an agreed-upon procedure in accordance with the principles set out in the Sri Lanka Related Services Practice Statement 4750 and they provided a Factual Findings Report to the Board on the Bank's extent of compliance with the Directions as disclosed in this Corporate

Governance Report. Please refer confirmation stated at the end of this report.

3(8)(ii)(h) - Compliance with prudential requirements, regulations, laws and internal controls

Statement of Directors' Responsibility for Financial Reporting and Directors' Statement on Internal Controls published in this Annual Report provide the extent of the Bank's compliance in this regard. There was no material non-compliance of prudential

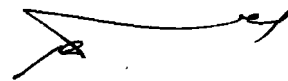
requirements, regulations, laws and internal controls, which affected the Bank during the year.

3(8)(ii)(i) - Supervisory Concerns

There were no significant supervisory concerns on lapses in the Bank's risk management system or non-compliance with these Directions that have been pointed out by the Director Bank Supervision, Central Bank of Sri Lanka and directed to be disclosed to the public.

Confirmation

In terms of Direction 3(8)(ii)(g) of the Banking Act Direction No. 11 of 2007, on behalf of the Board of Directors, we confirm that the findings of the "Factual Findings Report" dated 22 February 2023 issued by the Auditors, M/s KPMG, Chartered Accountants to the Board of Directors pursuant to the agreed-upon procedure carried out by them in accordance with "Sri Lanka Related Services Practice Statement 4750" are consistent with the matters disclosed in the above Annual Corporate Governance Report on the mandatory compliance with the Banking Act Direction No.11 of 2007 (as amended).



W M R S Dias
Chairman



(Ms) Saraswathie Poulraj
Company Secretary

22 February 2023
Colombo

CORPORATE GOVERNANCE

Rules of the Colombo Stock Exchange (CSE) relating to Disclosure on Corporate Governance

The Bank being a listed entity is bound by and at all times has complied with the applicable Rules and Circulars of the CSE and the Central Depository Systems (Pvt) Limited as amended or replaced from time to time.

Section 7.10(c) of the CSE Rules states that where a listed entity is required by any law applicable to such listed entity to comply with rules on corporate governance

promulgated under such law, such listed entity shall make disclosures of compliance with the corporate governance rules applicable to that sector. Seylan Bank PLC being a Licensed Commercial Bank (LCB) has disclosed its level of compliance under the Banking Act and Banking Act Directions No.11 of 2007 (as amended) on Corporate Governance for Licensed Commercial Banks of Sri Lanka in this report. The disclosures made include and affirm the Bank's compliance with the relevant sections under the Corporate Governance Rules of the CSE.

Code of Best Practice on Corporate Governance published by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

The Bank's comprehensive disclosures on its compliance with the Banking Act Directions on Corporate Governance and other disclosures published in this Annual Report adequately address the level of compliance with the principles of the Code of Best Practice on Corporate Governance 2017 published by the CA Sri Lanka. Relevant references to the disclosures required as per Schedule I of the Code are listed below.

Subject	Code of Best Practice Principle Reference	Reference to Section of the Annual Report / Remarks	Page No.
Chairman and CEO	A.2.1 and A.5.7	Corporate Governance (CG) Report - CBSL Direction No.3(5)	96 and 97
Board Balance	A.5.5	CG Report - CBSL Direction No.3(2)	93 to 95
Nomination Committee	A.7.1	CG Report - CBSL Direction No.3(6) (iv) Report of the Board Nomination Committee	105 115
New Directors Appointed and their details including directorships and status of independence	A.7.3	Profile of Directors Annexure to the Report of the Board of Directors CG Report - CBSL Direction No. 3(2)(iv)	76 to 80 130 to 132 94
Appraisal of Board Performance	A.9.4	CG Report - CBSL Direction No.3(1) (i)(i)	90
Board Related Disclosures (Profile, status, directorships, attendance, sub-committee membership, etc.)	A.10.1	Profile of Directors Annexure to the Report of the Board of Directors CG Report - CBSL Direction Nos.3(1) (vi) and 3(6)(i)	76 to 80 130 to 132 91 and 98 to 101
Disclosure of Remuneration	B.3 and B.3.1	CG Report - CBSL Direction No. 3(8)(ii)(f)	109
Major and Material Transactions	C.3 and C.3.1	There were neither material transactions which would have materially altered the Bank's or Group's net asset base nor any 'major related party transactions' during the year 2022 warranting disclosure in the Annual Report. Related party transactions are disclosed in Note 51 to the Financial Statements.	262 to 266
Audit Committee	D.3.3	CG Report - CBSL Direction No. 3(6)(ii)	102 to 105
Code of Business Conduct and Ethics	D.5.1 and D.5.4	CG Report - Section 3(1)(i)a	87 and 88
Communication with Shareholders	C.2.2 to C.2.7	CG Report - CBSL Direction Nos. 3(1)(i)(d); 3(5) (x).	89 and 97
Remuneration Committee Report	B.1.3	Report of the Board Human Resources and Remuneration Committee	113 and 114
Directors' Report	D.1.4	Report of the Board of Directors on the State of Affairs of the Company	122 to 129
Financial Statements – Statement of Responsibility	D.1.5	Statement of Directors' Responsibility for Financial Reporting	158
Related Party Transactions	D.1.8	CG Report - CBSL Direction No. 3(7)	107 and 108
Management Report	D.1.6	CEO's Message Value Creation Model	6 10
Corporate Governance Report Compliance with Provisions of the above Code of Best Practice	D.6.1	Please refer statements in the CG Report	
Audit Committee Report	D.3.2	Report of the Board Audit Committee	111 and 112
Related Party Transactions Review Committee Report	D.4.3	Report of the Related Party Transactions Review Committee	118
Statement of Internal Control	D.1.5 and D.2.4	Directors' Statement on Internal Control	119 and 120
Internet of Things and Cyber Security	G.5	Risk Management (reviewing information risk, integrity and availability)	133
Environment, Society and Governance (ESG) Reporting	H.1.1 to H.1.4	Value Creation Model	10

REPORT OF THE BOARD AUDIT COMMITTEE

The Board Audit Committee of Seylan Bank PLC presents its report for the year ended 31 December 2022 which was approved by the Board of Directors ('the Board').

The Board Audit Committee

The Board Audit Committee ('BAC' or 'the Committee') of Seylan Bank PLC ('the Bank') is delegated with the authority by the Board of Directors ('the Board') of the Bank to assist and provide the Board, independent oversight of the Bank's financial reporting integrity and internal control systems, the adequacy of the internal and external audits, the process for monitoring compliance with laws, regulations and codes of conduct and best practices.

The authority, composition, and the scope and responsibilities of the BAC are clearly set out in the Terms of Reference of the BAC which was reviewed (annually) and approved by the Board.

Reconstitution of the Committee during 2022 and its Composition as at 31.12.2022

The BAC comprised the following Independent Directors and Non-Executive Directors during the year:

- Ms A A Ludowyke, Independent Director - Chairperson of the Committee (appointed to the Committee as a member on 24.08.2022 and as the Chairperson on 23.09.2022)
- Ms M C Pietersz, Independent Director/Senior Director - Chairperson of the Committee (retired from the services on 22.09.2022)
- Mr W D K Jayawardena, Non-Executive Director/Deputy Chairman of the Board (retired from the services on 31.07.2022)
- Mr D R Abeyesuriya, Independent Director
- Mr D M Rupasinghe, Independent Director
- Ms V G S S Kotakadeniya, Non-Executive Director (appointed as a member on 24.08.2022)

The Chairperson of the Committee, Ms Averil Ludowyke who counts over 36 years' experience in auditing, accounting and finance is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Chartered Institute of Management Accountants, UK. The profiles of the current members are given on pages 76 to 80 of the Annual Report.

Ms M C Pietersz, former Chairperson of the Committee who retired on 22.09.2022 was an Associate Member of the Institute of Chartered Accountants in England and Wales, Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka.

The Company Secretary of the Bank functioned as the Secretary to the Committee during the year.

Activities and responsibilities discharged by the Committee during 2022

Meetings

The Committee held fifteen meetings during the year.

Highlights of key matters addressed at the meetings held during the year:

- Discussed the Audit Scope and the Plan presented by the External Auditors for the year 2022 and matters addressed in the presentation by the External Auditors on the year end Audit carried out for 2022.
- Reviewed and discussed the Management Letter of the External Auditors, in respect of the Audit for the financial year, 2021 and further action required to address the matters raised.
- Reviewed and discussed the presentation made by the External Auditors on the half-year Audit carried out in 2022.
- Conducted regular meetings with Internal Audit and reviewed, discussed and recommended actions reported in the internal audit reports and related updates.

- Reviewed the interim quarterly financial statements and the annual financial statements including disclosures with the CFO and recommended the financial statements to the Board for approval and publication.
- Had two meetings during the year with the External Auditors, M/s KPMG, without the presence of the management.
- Reviewed and evaluated the performance of the Head of Internal Audit who reports directly to the BAC, and the Key Performance Indicators (KPIs) of the Internal Audit Department in respect of the year 2021. Reviewed and discussed the KPIs agreed by Internal Audit Department for 2022.
- Discussed the effectiveness of the whistle-blowing mechanism and reviewed follow up action by Internal Audit.

The Head of Internal Audit and the CFO attended the regular meetings of the BAC. The Director/Chief Executive Officer, Deputy Chief Executive Officer, other members of the management and the External Auditors were invited to the meetings as and when the Committee required their presence to report and/or respond to queries related to financial reporting, audit findings and related matters.

The attendance of the members during the year was satisfactory and a summary of the attendance is presented in the table titled, 'Directors' Attendance at Subcommittee Meetings' in the Corporate Governance Report of the Annual Report.

In accordance with its mandate, the committee focused on the following areas, among others.

Internal Controls

The Committee ;

- Assessed the adequacy and effectiveness of the Bank's internal control systems over financial reporting and banking operational aspects based on the reports of the internal

REPORT OF THE BOARD AUDIT COMMITTEE

audits conducted in line with the scope of the Internal Audit Plan approved by the Committee. The Committee was satisfied that the controls and procedures in place provided reasonable assurance that the Bank's assets are safeguarded.

- Reviewed the effectiveness of controls over information technology security and systems.
- Agreed on the scope of External Auditors' review of internal controls over financial reporting and reviewed their observations, findings and recommendations together with management responses. The External Auditors have issued an Assurance Report on the Directors' Statement on Internal Control over Financial Reporting which is published on page 121 of the Annual Report.

Internal Audit

The Committee reviewed the independence, objectivity and performance of the internal audit function, the findings of the internal audit reviews and investigations and internal audit's evaluation of the Bank's internal control system.

The Internal Audit Plan for the year was based on the risk assessment carried out on each component of the audit universe of the Bank which included but not limited to 'Branch Network', 'Centre Operations' and 'Information Systems and Infrastructure'. The progress of audits in relation to the plan was reviewed regularly by the Committee.

Effective Internal Control over Financial Reporting

The Management is primarily responsible for the preparation of financial statements and maintaining effective internal controls over financial reporting and assessing the effectiveness of such control systems. The committee reviewed the assessment of the effectiveness of these controls, and the risk management process.

Interim Financial Statements and the Annual Report

The Committee exercised its oversight role in respect of financial reporting, with focus on adoption of the accounting standards, assessment of the reasonableness of the underlying assumptions leading to significant estimates and judgements made by the management in the preparation of the financial statements and adequacy of disclosures. The committee reviewed financial information, in order to monitor the integrity of the Financial Statements of the Bank, its statutory financial statements, and quarterly interim financial statements prepared together with disclosures.

The Committee also assessed the reasonableness and appropriateness of the judgment and estimates applied in the preparation of the financial statements. The assessment took into consideration the uncertainties relating to the current economic conditions prevailing in the country and its resultant implications on expected credit loss including the related post model adjustment.

External Audit

The meetings of the Committee with the External Auditors focused on the scope of external audit plan for the year 2022, discussions on the findings and recommendations arising from the half-year and annual audits carried out and, the requirements of the new regulatory circulars and the above mentioned Banking Act Directions.

The two meetings held by the Committee during the year with the External Auditors without the presence of executive management and the Director/CEO ensured that there was no limitation of scope or incidents that could have a negative impact on the effectiveness of the external audit during the year.

Non-Audit Services

The Committee reviewed the non-audit services provided by the External Auditors and was of the view that such services were not within the category of services identified as restricted under the

guidelines issued by the Central Bank of Sri Lanka for External Auditors relating to their statutory duties. The Bank's Policy on Non-Audit Services by the Independent External Auditors was reviewed and recommended by the Committee and approved by the Board during the year.

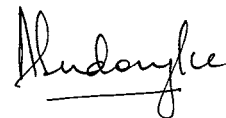
The Committee determined the independence of the External Auditors, M/s KPMG, as per the provisions of the Companies Act and the Code of Professional Conduct issued by the Institute of Chartered Accountants of Sri Lanka and recommended their reappointment as the Auditors of the Bank for the financial year 2023 subject to the concurrence of its recommendation by the Board and approval of such appointment by the Shareholders at the forthcoming Annual General Meeting. It should be mentioned that the present Audit partner was engaged from the financial year, 2019.

Compliance with the Banking Act Direction on Corporate Governance

Responsibilities executed by the Committee and the extent of compliance with the Directions of the Banking Act Direction No.11 of 2007 on Corporate Governance are described under Section 3(6)(ii) of the Corporate Governance Report published in the Annual Report.

Evaluation of the Committee

The Committee undertook a self-evaluation of the Committee and appraisal of the effectiveness of executing the responsibilities within the scope of authority of its Terms of Reference and was satisfied that the Committee had carried out its responsibilities effectively during the year, 2022.



(Ms) Averil Ludowyke
(Independent Director)

Chairperson – Board Audit Committee

22 February, 2023

REPORT OF THE BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Board Human Resources and Remuneration Committee of Seylan Bank PLC presents its report for the year ended 31 December 2022. This report was approved by the Board of Directors.

Board Human Resources and Remuneration Committee

The Board Human Resources and Remuneration Committee ('the BHRRC' or 'the Committee') of Seylan Bank PLC ('the Bank') is vested with the power to review, evaluate and make recommendations to the Board of Directors ('the Board') on matters that impact or relate to human resources ('HR') of the Bank, HR strategies and policies and determination of compensation, benefits and remuneration for the Directors, the Chief Executive Officer (CEO) and Key Management Personnel (KMPs) of the Bank. In doing so, the Committee assists the Board in exercising its oversight role and responsibilities in that regard.

The Terms of Reference of the Committee sets out the aforementioned authority and has also clearly defined the composition, scope and responsibilities. The Terms of Reference was reviewed (annually) and approved by the Board.

Reconstitution of the Committee during 2022 and its Composition as at 31.12.2022

The reconstituted Committee during the year comprised the following members:

- Mr L H A L Silva, Independent Director – Chairman of the Committee (appointed as a Member w.e.f. 24.08.2022 and as the Chairman of the Committee w.e.f. 23.09.2022)
- Ms M C Pietersz, Independent Director/Senior Director - Chairperson of the Committee (retired from the Board on 22.09.2022)

- Ms S K Salgado, Independent Director
- Mr D R Abey Suriya, Independent Director
- Mr S V Corea, Non-Executive Director
- Mr D M D K Thilakarathne, Non-Executive Director

The Company Secretary functioned as the Secretary to the Committee during the year.

The Director/Chief Executive Officer (CEO) Mr Kapila Ariyaratne, the Deputy Chief Executive Officer Mr Ramesh Jayasekara and Deputy General Manager/ Head of Human Resources Mr Jayantha Amarasinghe attended the meetings of the Committee on invitation and participated in the deliberations except when matters of their own interest, performance and compensation were discussed.

Meetings

The BHRRC held eight meetings during the year. Recommendations made by the Committee were submitted to the Board of Directors for decision. The attendance of the members at the meetings of the BHRRC is presented in the table titled, 'Directors' Attendance at Subcommittee Meetings' in the Corporate Governance Report published in the Annual Report.

Highlights of Activities during 2022

The key activities carried out by the BHRRC during the year included the following:

- Analysed the Survey conducted by the 'Great Place to Work' organisation on Workplace Culture Assessment and Transformation, key focus areas and initiatives with the action plan agreed.
- Reviewed and recommended the Bank's/CEO's proposed KPIs for 2022 and Performance Evaluation of KPIs agreed for 2021.

- Reviewed the Performance Evaluations of KMPs (direct reports to Director/CEO and Board Subcommittees) for 2021.
- Reviewed and recommended the Payment of the Performance Bonus to the Management Staff in the grade of Chief Manager and above.
- Reviewed and recommended the final proposals for the amendments to the Collective Agreements on revision of staff salaries and benefits for 2022-2023.
- Reviewed and agreed on KPIs of staff members directly reporting to Director/CEO for 2022.
- Reviewed and approved the first and second level succession plan for direct reportees to Board Subcommittees and KMPs.
- Reviewed the process followed by the Bank to address poor performers.
- Reviewed and recommended the Policy on Human Resources Planning, Selection and Recruitment.
- Reviewed and recommended the restructuring of the travel related monthly benefits of Staff Members in light of the economic challenges and the increase in cost of living.
- Reviewed and recommended the revision of remuneration applicable for Deputy Chief Executive Officer and Director/CEO and the salary revisions and benefits applicable to Chief Manager grade and above.

Remuneration Policy

The Remuneration Policy of the Bank aims to establish a formal and transparent procedure for determining remuneration, salaries and allowances and other financial benefits and perquisites to its Directors, the CEO, the KMPs and all other employees of the Bank. The policy and practices are linked to

REPORT OF THE BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE

the achievement of the short term and long term strategic goals and operational objectives of the Bank.

In discharging its responsibilities, the BHRRC focuses on strategies that will attract, develop, motivate and retain qualified, competent, high performing talent at all levels.

Directors' Remuneration and Benefits

The Board as a whole determines the remuneration and/or allowances and fees for both Executive and Non-Executive Directors based on the recommendations of the BHRRC. The Terms of Reference of the BHRRC provides that granting of any special payments and/or benefits to Directors upon their resignation or retirement in addition to normal fees and/or remuneration shall be subject to the recommendation of the Committee and approval of the shareholders. There were no such circumstances during the year that required shareholder approval and/or disclosure in the Annual Report.

Aggregate remuneration to Directors, CEO and the KMPs

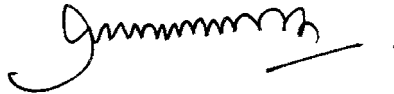
Aggregate remuneration paid to the Directors, CEO and the KMPs are disclosed under the table reporting compliance with the Banking Act Directions on Corporate Governance as published in the Annual Report.

Responsibilities of the BHRRC

The responsibilities of the Committee and the extent of compliance with directions 3(6)(iii)(a) to 3(6)(iii)(d) of the Banking Act Directions on Corporate Governance No.11 of 2007 have been disclosed in the relevant sections of the Corporate Governance Report published in the Annual Report.

Self-evaluation of the Committee

The BHRRC carried out a self-evaluation of its performance during the year and was satisfied that it had carried out its responsibilities in a satisfactory manner.



L H A Lakshman Silva
(Independent Director)

Chairman, Board Human Resources and Remuneration Committee

22 February, 2023

REPORT OF THE BOARD NOMINATION COMMITTEE

The Board Nomination Committee of Seylan Bank PLC presents its Report for the year ended 31 December 2022. This report was approved by the Board of Directors.

Board Nomination Committee

The Board Nomination Committee ('the BNC' or 'the Committee') of Seylan Bank PLC is a Sub-committee of the Board of Directors ('the Board') of Seylan Bank PLC ('the Bank') vested with the authority to assist the Board in fulfilling its role and responsibilities involving the appointment of Directors and Key Management Personnel ('KMPs') of the Bank.

The Terms of Reference sets out the authority, composition, scope and responsibilities of the BNC, which is annually reviewed and approved by the Board.

The Bank has a Policy Governing Directors' Appointments and a Policy on Succession Planning, Selection and Recruitment of Key Management Positions as adopted by the Board. Both these policies set out the principles and procedures to be followed in selecting and appointing new directors and KMPs, emphasising on the requirements relating to qualifications, competencies, experience, etc. and that such appointees should be fit and proper persons to hold office.

Reconstitution of the Committee during 2022 and its Composition as at 31.12.2022

The Committee, which was reconstituted during the year, comprised the following members:

- Mr A S Wijesinha, Independent Director/Senior Director (appointed as the Chairman of the Committee on 23.09.2022)
- Ms M C Pietersz, Independent Director/Senior Director - Chairperson of the Committee (retired from the Board on 22.09.2022)
- Mr W M R S Dias, Non-Executive Director/Chairman of the Board
- Mr W D K Jayawardena, Non-Executive Director /Deputy Chairman of the Board (retired from the Board on 31.07.2022)

- Mr D M Rupasinghe, Independent Director
- Mr L H A L Silva, Independent Director (appointed as a Member on 24.08.2022)
- Ms V G S S Kotakadeniya, Non-Executive Director (appointed as a Member on 24.08.2022)

The Company Secretary functioned as the Secretary to the Committee during the year.

Meetings

The Committee held six meetings during the year. Recommendations of the Committee were submitted to the Board for review and decision. Attendance of the members at the meetings of the Board Nomination Committee is presented in the table titled, 'Directors' Attendance at Sub-committee Meetings' of the Corporate Governance Report published in the Annual Report.

The Director/Chief Executive Officer, Mr Kapila Ariyaratne, the Deputy Chief Executive Officer, Mr Ramesh Jayasekara and Deputy General Manager, Human Resources, Mr Jayantha Amarasinghe attended the Meetings of the Committee on invitation.

Key Activities during 2022

- Affidavits on Fit and Proper declarations submitted by the continuing Directors in terms of Section 42 of the Banking Act No.30 of 1988 and its Directions (as amended) were reviewed by the Committee and recorded its satisfaction that the Board members are fit and proper persons to hold directorships of the Bank.
- Reviewed and determined the independent/non-independent status of Non-Executive Directors based on declarations submitted by such Directors and also by the Executive Director.
- Recommended the re-election of Directors who were retiring by rotation at the next Annual General Meeting in terms of the Articles of Association of the Bank, taking into account the performance and contribution made by such Directors.
- Discussed the succession plan of Directors to fill the vacancies that arose from the retirement

of Directors during the year. Accordingly, pursuant to assessing and being satisfied with required attributes and fit and proper status, the Committee recommended the nomination and appointment of Mr L H A Lakshman Silva and Ms A A Ludowyke as Independent Directors and Ms V G S S Kotakadeniya as a Non-Executive Director. These Directors will be subject to election by the Shareholders at the Annual General Meeting of the Bank scheduled to be held on 30 March 2023.

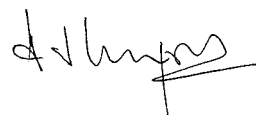
- Reviewed the updated Succession Plan for KMPs and provided appropriate guidance and advice.
- Reviewed and recommended the recruitments and promotions of the KMPs of the Bank, including the appointment of the Deputy Chief Executive Officer and promotions of Deputy General Managers during the year based on the Management recommendations and a review of performance and required organisational structure of the Bank.

Compliance with the Banking Act Direction on Corporate Governance

The extent of the Committee's compliance with Direction Nos. 3(6)(iv)(a) to 3(6)(iv)(f) of the Banking Act Directions on Corporate Governance No.11 of 2007 have been disclosed in the Corporate Governance Report published in the Annual Report.

Evaluation of the Committee

The Board Nomination Committee carried out a self-evaluation of its performance during the year under review and was satisfied that the Committee had carried out its responsibilities in a satisfactory manner.



Anushka Wijesinha
(Independent Director/Senior Director)

Chairman - Board Nomination Committee
22 February, 2023

REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

The Board Integrated Risk Management Committee ("BIRMC" or "the Committee") presents its Report for the year ended 31st December 2022. The Report was approved by the Board of Directors.

Scope and Objective of the Committee

The scope and objective of the BIRMC is to assess on a regular basis through appropriate risk indicators and management information, all risk categories including credit, market, liquidity, operational, information and strategic risks facing the Bank and its reputation and to assess the risks faced by its associates and subsidiary companies. The mandate of the BIRMC as defined in its Terms of Reference is to ensure that the Bank implements an approved policy framework with defined procedures and systems for identifying, measuring, monitoring and controlling such risks. A comprehensive set of risk management policies approved by the Board provide a strong administrative framework towards meeting the objectives of the Committee.

Composition of the BIRMC

During the year 2022, the Committee comprised the following members:

- Mr D R Abeyesuriya, Independent Director - Chairman of the Committee
- Mr W M R S Dias, Non-Executive Director/Chairman of the Board
- Mr K P Ariyaratne, Director/ Chief Executive Officer
- Ms M C Pietersz, Independent Director/Senior Director – Retired as a board member on 22/09/2022
- Mr D M Rupasinghe, Independent Director
- Mr L H A Lakshman Silva, Independent Director – appointed to the Committee w.e.f 24/08/2022

- Ms. Averil A Ludowyke, Independent Director – appointed to the Committee w.e.f 24/08/2022.
- Mr L A S Fernando, Deputy General Manager/ Chief Risk Officer

Profiles of the Directors holding membership in the Committee are provided in pages 76 to 80 of the Annual Report.

The Deputy General Manager/ Chief Risk Officer (CRO), Mr L A S Fernando as the Head of the Risk Management Unit functioned as the Secretary to the Committee during the year whilst the Company Secretary was in attendance at the two special meetings held including for the performance evaluation of the two direct reports to the Committee, namely the CRO and the Head of Compliance in the first quarter.

Meetings of the BIRMC

Four regular meetings on a quarterly basis and four special meetings (including two special meetings without the management) were held during the year. Copies of the confirmed Minutes of meetings were made available to the Board of Directors for information whilst recommendations of the Committee were submitted to the Board for review and appropriate decisions.

All Directors of the Committee were present at all eight meetings during the year. The Head of Compliance who reports directly to the BIRMC as well as the Chief Financial Officer attended the regular meetings of the Committee whilst other management members were present when invited by the Committee. All the above mentioned regular quarterly meetings and special meetings of the Committee during the year 2022 were held both on physical and online (virtual) platform.

Compliance with the Corporate Governance Directions

The execution of responsibilities of the Committee and the extent of the Committee's compliance with the Banking Act Directions on Corporate Governance No.11 of 2007 have been briefed under sections 3(6)(v)(a) to 3(6)(v)(h) of the Corporate Governance Report published in the Annual Report.

Risk Management Unit

The Risk Management Unit (RMU) is an independent unit headed by the CRO. The Unit is responsible for creating, managing and implementing a pervasive bank-wide risk culture. The BIRMC reviewed the adequacy of the activities of the RMU and focused on improving communication and implementation of risk management responsibilities at all levels within the Bank. Towards meeting this requirement, the three subcommittees of the BIRMC, namely, the Executive Credit Risk Management Committee, the Executive Market and Operations Risk Management Committee and the Assets and Liability Management Committee continued to function during the year. Minutes of the meetings of these Committees were tabled to the BIRMC whilst recommendations/ decisions of these Committees were also submitted by the CRO to the BIRMC's regular quarterly meetings for review and discussion.

A comprehensive Risk Management Report presented by the RMU, disclosing the Bank's level of risk management and assessment including the levels of risk under different risk categories is presented in the Annual Report.

Compliance function

The Head of Compliance, Ms. Dilani Sooriyaarachchi reports directly to the BIRMC. She is responsible for ensuring due compliance of the Bank with laws, regulations, internal controls and policies and industry best practices.

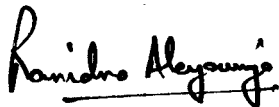
Periodic updates to the BIRMC were provided by the Head of Compliance on the regulatory developments and their impact to the Bank; outcome of compliance assessments, corrective measures and precautionary measures taken where required; compliance risk dash boards, findings of internal audit, external audit and regulatory audits on compliance function etc. The BIRMC provided advice and recommendations on the compliance risks identified, proposed policies and new developments to the compliance function.

Integrated Risk Management Framework and Implementation

Some of the key and supplementary activities carried out and/or endorsed by the Committee during the year included (but not limited to);

- Assessment of credit, market, liquidity, operational, information security and strategic risks;
- Review and recommend policies related to risk management and compliance;
- Review and assessment of the extent of independent credit risk reviews, business continuity planning, disaster recovery testing, information security risk controls, outsourced activities, Risk Control and Self-Assessment (RCSA) Process exercise;
- Review of various reports submitted on assessment of compliance risks;
- Review and assessment of status updates on the implementation of activities as per the Compliance Activity Calendar;
- Review of the risk assessments and controls of the Bank's subsidiary, Seylan Developments PLC;
- Physical security assessment of the Bank's head office building;
- Assessment and Impact of the Macroeconomic downturn in the country;
- Evaluation and review of the Bank's Internal Capital Adequacy and Assessment Process.
- Provide guidance on the implementation of important regulatory Directions across the Bank.
- Review of the Bank's credit risk management framework and set in place an Action Plan to implement an effective Early Warning Indicator monitoring mechanism across the Bank, validate the Bank's SLFRS9 Impairment Models/Internal Risk Rating Models, further development and improvement of the said Models, introduction of a Risk Based Pricing Methodology and using of Internal Risk Rating Models for the computation of SLFRS9 Impairment amounts.
- Evaluation of the Board Integrated Risk Management Committee

The Members of the BIRMC carried out a self-assessment of the Committees' performance. The Committee was satisfied that it had carried out its responsibilities in an effective manner during the year.



D R Abey Suriya
(Independent Director)

Chairman – Board Integrated Risk Management Committee

22 February 2023

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee ('the Committee' or 'RPTRC') which is a Subcommittee of the Board of Seylan Bank PLC ('the Bank') presents its report for the year ended 31 December 2022. This Report was approved by the Board of Directors.

Scope and Terms of Reference

The Terms of Reference of the Committee has set out the scope and objective of the Committee in accordance with the Listing Rules of the Colombo Stock Exchange (CSE). The Terms of Reference was reviewed (annually) and approved by the Board.

Reconstitution of the Committee during 2022 and its Composition as at 31.12.2022

The Committee comprised the following members as at 31 December 2022:

- Mr D R Abeyesuriya – Independent Director/Chairman of the Committee
- Mr S V Corea - Non-Executive Director
- Mr A S Wijesinha- Independent Director/ Senior Director
- Ms A A Ludowyke - Independent Director (appointed w.e.f. 24.08.2022)

Ms M C Pietersz, Independent Director/Senior Director retired from the services of the Bank on 22.09.2022.

The present Company Secretary functioned as the Secretary to the Committee during the year.

The Director/Chief Executive Officer, Deputy Chief Executive Officer and the Head of Compliance attended the meetings of the Committee on invitation.

Meetings of the RPTRC

The Committee held four meetings during the year on a quarterly basis. Copies of confirmed minutes of the meetings and recommendations of the Committee were submitted to the ensuing meetings of the Board of Directors for perusal and decision.

Details of attendance of the members at the meetings are presented in the table providing 'Directors' attendance at Subcommittee meetings' in the Corporate Governance Report published in the Annual Report.

Review of Related Party Transactions by the Committee

Review of Related Party Transactions is a key scope and responsibility of the Related Party Transactions Review Committee as set out in its Terms of Reference.

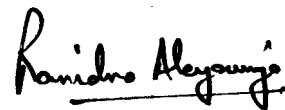
The Committee ensured compliance with Section 9 of the Listing Rules of the CSE. Summarised Lists of recurrent related party transactions which were approved by the Board of Directors were presented by the Company Secretary to the ensuing regular meetings of the Committee. The aggregate value of the recurrent related party transactions entered into with the same related party did not exceed 10% of the gross revenue/income of the Bank during the year requiring disclosure in the Annual Report in terms of Section 9.3.2(b) of the Listing Rules of the CSE.

In the event of any non-recurrent related party transactions, which may require prior recommendation of the Committee, such transactions are tabled and decided upon by the Committee, prior to submitting to the Board. There were no occurrence of events as required in terms of Section 9.3.1 (a) and 9.3.2 (a) of the Listing Rules of the CSE that required disclosures to be made as specified therein.

The Bank has in place a Related Party Transaction and Avoidance of Conflict of Interest Policy and Process Document, approved by the Board. The Committee reviewed the mechanism/process for recording, monitoring and reporting related party transactions and provided necessary guidance and advice to ensure the effectiveness of the process. The Compliance Unit conducted regular assessments of related party transactions carried out by the Bank (both recurrent and non-recurrent) and reported its observations and findings to the Committee. It was observed that there were no preferential treatments offered to related parties or deviations from the set processes that involved in transactions with related parties.

Evaluation of the Committee

The Committee carried out a self-evaluation of the performance and effectiveness of the Committee and was satisfied that it had carried out its responsibilities in an effective manner.



D R Abeyesuriya
(Independent Director)

Chairman - Related Party Transactions Review Committee

22 February 2023

DIRECTORS' STATEMENT ON INTERNAL CONTROL

Responsibility

This report on internal control mechanism of the Bank is presented by the Board of Directors in compliance with the Section 3 (8) (ii) (b) of the Banking Act Direction No. 11 of 2007.

The Board of Directors ("Board") is responsible for the Bank's system of internal controls and for reviewing its design and operating effectiveness. However, such a system will mitigate but may not completely eliminate the risk of failure in achieving the business objectives of the Bank. Hence, the system of internal controls can only provide a reasonable but not absolute assurance against material misstatement of financial information and records.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Bank and this process provides for modifying the system of internal controls in response to changes in business and regulatory environment. The process is reviewed regularly by the Board, taking into account principles for the assessment of the internal control system as given in the Guidance for Directors of Banks on the Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka. The process is in compliance with the requirements set out in this document.

The Management assists the Board in implementation of its policies and procedures on risk and controls by identifying and assessing the relevant risks faced by the Bank and in designing, implementing, operating and monitoring of appropriate internal controls to mitigate and control such risks. The Board is of the view that the system of internal controls over financial reporting is sound and adequate to provide a reasonable assurance on reliability of financial reporting

and that the preparation of Financial Statements for external purposes is in accordance with the relevant accounting principles and regulatory requirements.

Key features of the process in place for reviewing the design and effectiveness of the internal controls system over financial reporting

Key processes that are presently in place for reviewing the design, operating effectiveness and the integrity of the system of internal controls relevant to financial reporting are set out below:

- The Board is assisted by Board Sub Committees established by the Board in ensuring the effectiveness of the Bank's daily operations in terms of alignment with the corporate strategies, objectives and the annual budget and in approving the policies and business directions as required.
 - The Board Audit Committee (BAC) of the Bank evaluates the adequacy and effectiveness of the risk management and internal control systems and monitors the internal control issues identified by the Regulatory Authorities, Internal Audit Department, External Auditors and the Management. They also review the internal audit function with emphasis on the coverage, scope and the quality of internal audits. Minutes of the BAC meetings are tabled at Board meetings of the Bank on a periodic basis. Activities undertaken by the BAC are set out in the Audit Committee Report on pages 111 and 112.
 - The Board Integrated Risk Management Committee (BIRMC) is established to assist the Board to oversee the overall management of principal risk areas of the Bank. Executive Risk Management Committees assist the Board through BIRMC
- on implementation of policies approved by the Board.
- Management/ operational committees have also been established with an appropriate level of empowerment to ensure effective management and supervision of the core areas of the Bank's business operations.
 - The Internal Audit Department of the Bank reviews the effectiveness of the internal control systems and the design of and compliance with the policies and procedures on an on-going basis. Audits are carried out on all business units, functions and branches based on a risk based annual planning mechanism. Frequency and the scope of audits are determined by the level of risk assessed. The key objective of such audits are to provide an independent and objective assessment on operational and management activities of the business units, functions and branches. The annual internal audit plan is reviewed and approved by the Audit Committee and all the findings of the audits are escalated to the Audit Committee.
 - Policies and procedures for ensuring compliance with internal controls and the relevant laws and regulations are set out in operation manuals, guidelines and the directives issued by the Bank which are reviewed and updated from time to time. CBSL issued direction numbers 13 and 14 of 2021 with the view of strengthening and harmonising the regulatory framework on classification, recognition and measurement of financial instruments in line with SLFRS 9 - Financial Instruments, which have become effective from 1st January 2022. The Bank has taken required steps to improve policies, procedures and made

DIRECTORS' STATEMENT ON INTERNAL CONTROL

necessary changes to the internal processes including the system capabilities to ensure new regulations are adopted satisfactorily with effect from 1st January 2022.

Expected Credit Loss (ECL) computation of Loans and Advances in line with SLFRS 9 involves complex models. In order to minimize manual intervention in ECL computation models the Bank initiated a project automating the calculations which is currently in progress. The Bank continues to monitor and strengthen the manual controls around ECL computation processes until automation is successfully implemented.

The existing models used for the computation of ECL were further refined this year to validate the appropriateness of the underlying assumptions, incorporating the potential implications of the macroeconomic conditions prevailing in the country through post model adjustments based on stress testing the exposures to risk elevated sectors and adjustments made to the economic factors.

- All controls, including the IT General Controls and the branch level application controls, were documented by respective departments, on relevant formats prescribed in the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" in the Sri Lanka Standard on Assurance Engagements 3050, issued by The Institute of Chartered Accountants of Sri Lanka.
- In assessing the internal control system over financial reporting, the Management of the Bank captured all procedures and

controls that are connected with significant accounts and disclosures in the Financial Statements of the Bank. These are reviewed by the Internal Audit Department for adequacy of design and operating effectiveness on an on-going basis based on a risk based approach.

Recommendations made by the External Auditors with regard to the internal control system in the financial year ended 31st December 2021 were taken into consideration and appropriate measures were taken to incorporate the recommendations in to the internal controls. Recommendations by the External Auditors with regard to the internal control system made during the financial year ended 31st December 2022 will be addressed in the ensuing year.

Confirmation

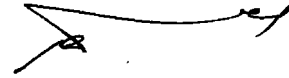
Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide a reasonable assurance on the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) and regulatory requirements of the Central Bank of Sri Lanka. This confirmation excludes the subsidiary of the Bank.

Review of the statement by External Auditors

The External Auditors have reviewed the above Directors' Statement on Internal Control of the Bank for the year ended 31st December 2022 and reported to the Board that nothing has come to their attention that causes them to believe that the above Statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control system

over financial reporting of the Bank. Their report to the Board is disclosed on page 121 of this Annual Report.

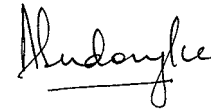
By order of the Board of Directors of Seylan Bank PLC



W. M. R. S Dias
Chairman



Kapila Ariyaratne
Director/ Chief Executive Officer



(Ms) Averil Ludowyke
Chairperson-Board Audit Committee

22 February 2023
Colombo

INDEPENDENT ASSURANCE REPORT



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(Chartered Accountants)
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TO THE BOARD OF DIRECTORS OF SEYLAN BANK PLC

We were engaged by the Board of Directors of Seylan Bank PLC ("Bank") to provide assurance on the Directors' Statement on Internal Control Over Financial Reporting ("Statement") for the year ended 31 December 2022 included in this Annual Report on pages 119 to 120.

Management's responsibility for the Statement on Internal Control

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.

Scope of the engagement in compliance with SLSAE 3050

Our responsibility is to issue a report to the Board on the statement based on the work performed. We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Report for Banks on Directors' Statement on Internal Control issued by The Institute of Chartered Accountants of Sri Lanka.

Summary of work performed

Our engagement has been conducted 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 system of internal control for the Bank.

To achieve this objective, appropriate evidence has been obtained by performing the following procedures:

- Enquired the Directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the Annual Report.
- Reviewed the documentation prepared by the Directors to support their statement made.
- Related the statement made by the Directors to our knowledge of the audit of the Financial Statements.
- Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees.
- Attended meetings of the Audit Committee at which the Annual Report, including the Statement on Internal Control is considered and approved for submission to the Board of Directors.
- Considered whether the Directors' Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.

- Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

SLSAE 3050 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050 also does not require us 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.

Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included on pages 119 to 120 of this annual report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Bank.

Chartered Accountants
Colombo

22 February 2023

REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY

The Board of Directors of Seylan Bank PLC ('the Board' or 'the Directors') presents its Report on the State of Affairs of Seylan Bank PLC ('the Bank' or 'the Company') together with the audited financial statements of the Bank, the consolidated financial statements of the Group and the Auditors' Report on those financial statements for the financial year ended 31 December 2022. This Report hereinafter will also be referred to as 'the Report', or 'Report of the Directors' or 'Report of the Board of Directors'.

This Report together with the Financial Statements (as aforementioned) which are published in the Annual Report of the Bank for the year ended 31 December 2022 (hereinafter referred to as 'the Annual Report') were reviewed and approved by the Board of Directors on 22 February 2023. A softcopy of this Annual Report of the Bank will be hosted/published in the website of the Bank, www.seylan.lk and also in the website of the Colombo Stock Exchange (CSE), www.cse.lk.

The disclosures in this Report conform to the requirements of the Companies Act No. 7 of 2007; the Banking Act No. 30 of 1988 (as amended); the Directions issued by the Monetary Board under the Banking Act; the Listing Rules of the CSE and the recommended best practices on corporate governance.

In compliance with the requirements under Section 168 of the Companies Act No. 7 of 2007, information and disclosures in respect of the financial year ended 31 December 2022 have been published in the pages/sections of this Report and/or the pages/sections of the Annual Report where relevant.

1. ABOUT THE BANK /THE COMPANY

Seylan Bank PLC is a public limited liability company incorporated in

Sri Lanka on 28 August 1987 under the Companies Act No. 17 of 1982 and is a licensed commercial bank registered and operating under the Banking Act No. 30 of 1988 (as amended). The Company was re-registered under the provisions of the Companies Act No. 7 of 2007 on 30 May 2007 (Company Registration No. PQ 9). The Registered Office and the Head Office of the Bank is situated at "Seylan Towers", No.90, Galle Road, Colombo 03, Sri Lanka.

The Bank was listed on the CSE on 5 January 1989. The Bank's ordinary shares (both voting and non-voting) and its Unsecured, Subordinated, Redeemable Debentures issued in the years 2016, 2018, 2019 and 2021 were listed in the CSE. During the year under review, Fitch Ratings Lanka Ltd affirmed the Bank's National Long-Term Rating at A(lka) with a stable outlook whilst assigning a BBB+(lka) for the subordinated debentures.

In January 2023, Fitch Ratings Lanka Ltd downgraded the Bank's National Long Term Rating to A-(lka) /Rating Watch Negative due to the recalibration of the Sri Lankan National Rating Scale. The outstanding Sri Lankan Rupee denominated Subordinated Debt of the Bank has been revised two notches below the National Rating, i.e BBB (lka) from BBB+(lka).

2. PRINCIPAL ACTIVITIES

The principal activities of the Bank are commercial banking and provision of related financial services which mainly include acceptance of deposits, personal banking, trade financing, off-shore banking, resident and non-resident foreign currency operations, corporate and retail credit, margin trading, pawn broking, project financing, lease financing, credit card facilities, money remittance services, factoring, dealing in government securities and treasury related products, etc.

There were no significant changes in the nature of the principal activities of the Bank and its'

subsidiary during the financial year under review.

3. VISION AND MISSION AND CORPORATE CONDUCT

3.1 Vision and Mission

Vision:

"To be Sri Lanka's leading financial services provider – as recognized by all its' stakeholders."

Mission:

- We provide our Customers with financial services that meet their needs in terms of value, pricing, delivery and service.
- We will do so through a team of Seylan Bankers who are recognized and rewarded for results orientation.
- We will ensure that our efforts translate to meeting the expectations of our shareholders, whilst always acting as responsible corporate citizens.

3.2 Corporate Conduct

The Bank conducts its business activities at a high level of ethical standard in achieving its vision and mission. The Board of Directors of the Bank as well as its' employees have pledged to abide by and comply with the Codes of Conduct and Ethics of the Bank.

4. GROUP STRUCTURE

The only subsidiary of the Bank is Seylan Developments PLC (SDP). SDP is a public limited liability company incorporated in 1992 and listed on the CSE. The principal activities of SDP are property development and management. The Bank held a 70.51% stake in SDP as at 31 December 2022. Please refer Section 29 of this Report for information on the Board of Directors of SDP.

The Bank received a dividend of LKR 146,064,956/80 paid by the subsidiary during the year under review.

5. BRANCH NETWORK

As at 31 December 2022, the Bank's branch network comprised 171 banking centres and 98 Student Savings Centres, island-wide. Locations and details of the banking centres as at the date of this Report as well as locations of off-site ATMs are given in the Annual Report.

6. REVIEW OF PERFORMANCE IN 2022 AND FUTURE DEVELOPMENT PLANS

The Chairman's Message, the Chief Executive Officer's Review and the reports that are published in this Annual Report provide an overall assessment and review of the operations and financial performance of the Bank during the year 2022 aligned to the information in the audited financial statements of the Bank for the year ended 31 December 2022. They also speak about the Bank's future development plans. Such development proposals have been laid out in the Bank's Strategic Plan for the years 2021 to 2023 which was approved by the Board and the implementation of the strategies was being monitored by the Board Strategic Plan Committee.

7. FINANCIAL STATEMENTS AND FINANCIAL REPORTING

The Financial Statements of the Bank and the Group have been prepared in accordance with the Sri Lanka Accounting Standards (LKAS) and the Sri Lanka Financial Reporting Standards (SLFRS). The necessary quantifications and disclosures have also been made based on LKAS/SLFRS. The Financial Statements which are published in the Annual Report are followed by the related notes to the Financial Statements and Significant Accounting Policies adopted in the preparation of the Financial Statements.

The Audited Financial Statements for the year ended 31 December 2022 was certified by the Chief Financial Officer being the person responsible for their preparation and signed on behalf of the Board

of Directors by two Directors in terms of Section 151, 152 and 168 (1) (b) of the Companies Act No. 7 of 2007. They are published in this Annual Report and form an integral part of this Report. Some of the salient financial information have been disclosed under the relevant headings in this Report.

8. DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Bank to reflect a true and fair view of its state of affairs. The Directors are of the view that these Financial Statements and the Notes thereto have been prepared in conformity with the requirements of the Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Banking Act No. 30 of 1988 (as amended) and relevant directions

and determinations thereof and the Listing Rules of the CSE.

The Statement of Directors' Responsibility for Financial Reporting which appears in the Annual Report forms an integral part of this Report of the Directors.

9. AUDITORS' REPORT

The Auditors of the Company, M/s KPMG, Chartered Accountants carried out the audit of the consolidated and separate financial statements for the financial year ended 31 December 2022 and the Auditors' Report is published in the Annual Report.

10. FINANCIAL RESULTS

The income and profit of the Bank and those of the Group for the year ended 31 December 2022 are given in the table below. An analysis of the income is given in the Notes to the Financial Statements published in the Annual Report:

Income	2022		2021	
	Bank LKR '000	Group LKR '000	Bank LKR '000	Group LKR '000
Gross Income	96,817,975	96,836,414	54,767,049	54,750,691
Operating Income	51,056,208	51,381,342	31,442,238	31,729,446
Profit before Income Tax	6,628,860	6,796,658	6,027,776	6,184,680
Less : Income Tax	1,916,597	2,218,888	1,447,236	1,449,010
Profit after Income Tax	4,712,263	4,577,770	4,580,540	4,735,670
Other Comprehensive Income net of Tax	(2,724,398)	(2,746,463)	(1,521,020)	(1,479,099)
Total Comprehensive Income for the year	1,987,865	1,831,307	3,059,520	3,256,571

11. TAXATION

Provision for taxation has been computed as indicated in Note 16 to the Financial Statements.

12. CAPITAL EXPENDITURE

The total capital expenditure incurred on the acquisition of Property, Plant and Equipment of the Bank and the Group is given below and further described in Notes 30 and 33 to the Financial Statements.

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Property, Plant and Equipment and Intangible Assets	295,579	462,314	299,762	506,736
Net book value of freehold properties	2,233,294	2,252,954	4,864,651	4,943,453

REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY

All freehold land and buildings of the Bank were valued in 2021 by professionally qualified independent valuers (Chartered Valuers/Licensed Surveyors) engaged by the Bank to its Panel of Valuers and brought into the financial statements. Details of freehold properties owned by the Bank are given in Note 30.4 to the Financial Statements.

Capital Expenditure approved and contracted for after the year ended 31 December 2022 is given in Note 49 to the Financial Statements.

13. DONATIONS

During the year, the Bank made donations amounting to LKR 573,800/- (Donations made in 2021 amounted to LKR 565,000/-).

14. DIVIDEND AND SOLVENCY CERTIFICATION

The Directors have recommended a First and Final Ordinary Dividend of LKR 2.00 per share for the year ended 31 December 2022. This recommendation is subject to the approval of the shareholders at the Annual General Meeting of the Bank scheduled to be held on 30 March 2023. Please refer 'Circular to Shareholders' for further details.

The Board of Directors was satisfied that the Bank would meet the solvency test in terms of the provisions of Section 57 of the Companies Act No. 7 of 2007 immediately after the payment of the proposed dividend. A Certificate of Solvency was also obtained by the Bank from the External Auditors in compliance with Section 56(2) of the Companies Act, confirming the Board's declaration of solvency.

The Bank paid a first and final ordinary dividend of LKR 3.00 per share in the form of a scrip dividend in respect of the financial year ended 31 December 2021.

15. RESERVES

Total reserves (including Statutory Reserve Fund) as at the end of the financial year of the Bank and the Group, were as follows:

Bank		Group	
2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
34,523,845	33,729,127	36,275,608	35,634,352

16. STATED CAPITAL

The Stated Capital of the Bank as at 31 December 2022 was LKR 19,926,453,430.01 (Stated Capital as at 31 December 2021 was LKR 18,323,881,381.01).

The number of shares issued by the Bank during the year increased due to the issue of scrip dividends (which resulted in the increase in the Stated Capital) were as follows:

As at 31 December Class of Shares	2022	2021	2022	2021
	Number of Shares		Number of Shareholders	
Ordinary voting shares	282,704,760	264,267,493	10,078	10,144
Ordinary non-voting shares	295,071,313	269,923,190	7,309	7,342

17. INVESTOR INFORMATION

Information including earnings, profitability, dividend, net assets and market value per share is given in the Financial Highlights page in the Annual Report. Information pertaining to share prices and debenture prices is given on pages 275 to 277 in the Annual Report.

17.1 Minimum Public Holding Requirement

The Bank was compliant with Section 7.13.1 of the Listing Rules of the CSE in respect of the above as at 31 December 2022 as described below:

Criteria	31 December 2022	31 December 2021
Float adjusted market capitalization	LKR 4,900 Million	LKR 6,378 Million
Public Holding Percentage	54.85%	54.85%
Number of public shareholders	10,056	10,122
Option	4	3

17.2 Analysis of the Shareholding Distribution and Major Shareholders

An analysis of the distribution of shareholdings and lists of twenty largest ordinary voting and ordinary non-voting shareholders of the Bank as per the requirement of the Listing Rules of the CSE have been published under Investor Information section of this Annual Report.

18. DEBENTURES

18.1 Debentures in Issue

Value of Debentures as at 1 January 2022	LKR 20,506,280,000/-
Allotment of new debentures during 2022	-
Redemption of debentures during 2022	-
Total value of Debentures as at 31 December 2022	LKR 20,506,280,000/-

Further information on the debentures issued are provided under Investor Information section of this Annual Report.

18.2 Proposed Debenture Issue

The Board of Directors of the Bank at its meeting held on 24 January 2023 approved (subject to the approval of the shareholders) that the Bank issues upto a maximum of One Hundred and Twenty Million (120,000,000) BASEL III compliant, Tier II, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures with a Non-Viability Conversion of Rupees One Hundred (LKR 100/-) each, to raise a maximum sum of Rupees Twelve Billion (LKR 12,000,000,000/-) which will be issued in one or more issuances until 31 December 2023.

19. EQUITABLE TREATMENT OF SHAREHOLDERS AND EFFECTIVE SHAREHOLDER COMMUNICATION

The Bank has at all times ensured that shareholders are treated equitably. The general meetings of the Bank are the main forums adopted by the Board as well as the shareholders of the Bank for an effective dialogue with one another while other channels of communication were also being used to ensure that shareholders and all interested parties have equal access to corporate information in the public domain. The Bank has adopted a Shareholder Communication Policy which is published on its corporate website, the objective of which is to enhance long term shareholder value through regular communication with shareholders.

Ms A A Ludowyke was appointed to the Board as an Independent Non-Executive Director on 17 August 2022.

Ms M Coralie Pietersz, Independent, Non-Executive Director/Senior Director retired from the Board on 22 September 2022 in terms of Section 3(2)(ii) of the Banking Act Direction No. 11 of 2007, having served as a Director for a period of nine years.

Mr A S Wijesinha, Independent, Non-Executive Director of the Bank was designated as the "Senior Director" in compliance with Section 3(5)(ii) of the Banking Act Direction No. 11 of 2007 on Corporate Governance (as amended), with effect from 23 September 2022.

20. DIRECTORATE

20.1 Directors who held office as at 31 December 2022

Name of Director	Status of Directorship
Mr W M R S Dias	Non-Executive Director/Chairman
Mr K P Ariyaratne	Director/Chief Executive Officer
Mr S V Corea	Non-Executive Director
Mr A S Wijesinha	Independent Non-Executive Director/Senior Director
Ms S K Salgado	Independent Non-Executive Director
Mr D M D K Thilakarathne	Non-Executive Director
Mr D R Abey Suriya	Independent Non-Executive Director
Mr D M Rupasinghe	Independent Non-Executive Director
Mr L H A L Silva	Independent Non-Executive Director
Ms V G S S Kotakadeniya	Non-Executive Director
Ms A A Ludowyke	Independent Non-Executive Director

The Profiles of the Directors who comprise the Board as at the date of this Report including their membership/s in Board Subcommittees are given on pages 76 to 80 of the Annual Report.

20.2 Change of Directorate

Mr L H A Lakshman Silva was appointed to the Board as an Independent Non-Executive Director on 18 July 2022.

Mr W D Kapila Jayawardena, Non-Executive Director/Deputy Chairman retired from the Board

on 31 July 2022 in terms of Section 3(2)(ii) of the Banking Act Direction No.11 of 2007, having served as a Director for a period of nine years. Following the said retirement, Ms V G S Sunjeevani Kotakadeniya, who was the Alternate Director to Mr W D K Jayawardena, ceased to be an Alternate Director on the said date.

Ms V G S Sunjeevani Kotakadeniya was appointed to the Board as a Non-Executive Director on 17 August 2022.

20.3 Declarations by Directors - Independent/ Non-Independent Status and Declaration of Relevant Relationships

All Non-Executive Directors have submitted signed declarations confirming their independent/ non-independent status in compliance with Rule 7.10.2 and 7.10.4 of the CSE Rules on Corporate Governance as well as in compliance with Section 3(2)(iv) of the Banking Act Direction No.11 of 2007.

20.4 Declarations by Directors - 'Fit and Proper' Status of Continuing Directors

Signed Affidavits in terms of Section 42 of the Banking Act (as amended) issued by the Directors declaring their 'fit and proper' status, prior to the Annual General Meeting held in 2022 were submitted to the Director, Bank Supervision, Central Bank of Sri Lanka. The Central Bank approved the continuation of office of those Directors.

Affidavits in terms of the applicable Guidelines issued by the Securities and Exchange Commission of Sri Lanka on Fitness and Propriety, are obtained from the Directors, as and when required.

REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY

20.5 List of Directorships of the Directors in other Entities

Directorships held by the Directors in other entities and their substantial/material shareholdings if any, as at 31 December 2022 are provided in the Annexure that follows this Report of the Directors. The list has also identified the status of directorships (executive/non-executive/independent status) and the status where an entity is a listed entity.

20.6 Board Evaluation

A performance evaluation designed to improve the Board's effectiveness and that of its Committees was conducted in line with good Corporate Governance practices during the year. Further, each member of the Board carried out a self-assessment of his/her own effectiveness and the effectiveness as a team member of the Board.

21. RE-ELECTION/ELECTION OF DIRECTORS

In terms of Article 82 of the Articles of Association, Non-Executive Director, Mr S V Corea and Independent Director, Mr A S Wijesinha retire by rotation at the forthcoming Annual General Meeting (AGM) of the Bank and offer themselves for re-election pursuant to the Board Nomination Committee and the Board of Directors evaluating and recommending their re-election as Directors.

In terms of Article 89 of the Articles of Association, Independent Directors, Mr L H A Lakshman Silva, Ms A A Ludowyke and Non-Executive Director, Ms V G S S Kotakadeniya who were appointed during the year 2022 to fill casual vacancies on the Board will be subject to election by the shareholders at the forthcoming AGM of the Bank. The Board Nomination Committee and the Board of Directors have recommended the proposals for their election.

22. MEETINGS OF THE BOARD OF DIRECTORS

Twelve Regular monthly meetings and five special meetings of the Board of Directors were held during the year. The special meetings were held to consider and decide on important and urgent matters. A schedule of Directors' attendance at Board meetings and a schedule of Directors' attendance at Board Subcommittee meetings have been disclosed in the Corporate Governance Report published in this Annual Report.

23. DIRECTORS' INTEREST IN CONTRACTS AND DIRECTORS' INTEREST REGISTER

The Bank maintains a Directors' Interest Register as required under Section 168(1)(e) of the Companies Act No. 7 of 2007. The Directors submitted their declarations to the Board through the Company Secretary disclosing their interests from time to time in accordance with Section 192(2) of the Companies Act No. 7 of

2007 for purposes of identification of their interest in contracts/ transactions that the Bank enters into. Such disclosures are reported to the Board and minuted by the Company Secretary and thereafter recorded in the Directors' Interest Register. The Directors' Interest Register is available for inspection by the shareholders or their authorized representatives as required under Section 119(1)(d) of the Companies Act No. 7 of 2007.

The Directors abstained from the meetings (both Board and Board Subcommittees) when matters in which they were interested (related party interest or directorship interest) were considered and they did not vote on such matters.

24. DIRECTORS' INTEREST IN SHARES AND DEBENTURES OF THE BANK

Directors' holdings in Shares and Debentures of the Bank as at 31 December 2022 and the comparative figures of the previous year are given below:

Name of Director	31.12.2022	31.12.2021	Shares /Debentures
Mr W M R S Dias	50,000 100,000	50,000 100,000	Debenture Issue 2018 Debenture Issue 2021
Mr K P Ariyaratne	71,031 242,749 200,000 300,000 80,000 100,000	66,399 222,061 200,000 300,000 80,000 100,000	Ordinary Voting shares Ordinary Non-voting shares Debenture Issue 2018 Debenture Issue 2019 Debenture Issue 2021 Debenture Issue 2021
Mr S V Corea	108	101	Ordinary Voting Shares
Mr A S Wijesinha	Nil	Nil	
Ms S K Salgado	Nil	Nil	
Mr D M D K Thilakarathne	Nil	Nil	
Mr D R Abey Suriya	Nil	Nil	
Mr D M Rupasinghe	Nil	Nil	
Mr L H A L Silva	50,000	N/A*	Debenture Issue 2021
Ms V G S S Kotakadeniya	Nil	Nil	
Ms A A Ludowyke	Nil	N/A*	

(*was not a Board member as at 31.12.2021)

Percentage Shareholdings of Directors:

Type of shares	% as at 31.12.2022	% as at 31.12.2021
Ordinary voting shares	0.025%	0.025%
Ordinary non-voting shares	0.08%	0.08%

There were no changes to the above information on Directors' interest in Shares and Debentures from 1 January 2023 and until the date of this Report of the Board of Directors.

25. DIRECTORS' REMUNERATION

Details of Directors' emoluments paid in respect of the Bank and the Group for the year 2022 are given as a note to the Financial Statements in the Annual Report.

26. INSURANCE AND INDEMNITY

As authorized by the Articles of Association of the Bank and as approved by the Board of Directors, the Bank obtained a Directors and Officers Liability Insurance Cover in respect of the year 2022/2023.

27. BOARD SUBCOMMITTEES

The Board is empowered by the Articles of Association to delegate any of its powers to the Board appointed Subcommittees within the scope of the respective Board approved Terms of Reference. The Subcommittees consist of members appointed as the Board thinks fit subject to meeting the criteria specified in the respective Terms of Reference. The following Board Subcommittees were functional as at 31 December 2022. The respective scope, composition and responsibilities of these Subcommittees have been provided in the Corporate Governance Report published in the Annual Report.

- 1) Board Audit Committee
- 2) Board Human Resources and Remuneration Committee
- 3) Board Nomination Committee
- 4) Board Integrated Risk Management Committee
- 5) Related Party Transactions Review Committee
- 6) Board Credit Committee
- 7) Board Marketing and Product Development Committee

- 8) Board Sustainability Committee
- 9) Board Governance and Compliance Committee
- 10) Board Strategic Plan Committee
- 11) Board Information Technology Committee

28. RELATED PARTY TRANSACTIONS

The Board of Directors has vested the responsibility for ensuring compliance with Section 9 of the Rules of the CSE on Related Party Transactions, on the Related Party Transactions Review Committee of the Bank.

During the year, the Bank did not carry out any recurrent or non-recurrent related party transactions which required immediate disclosure to the CSE and/or disclosures in the Annual Report as described below:

- The aggregate value of non-recurrent related party transactions entered into with the same related party did not exceed 10% of the equity or 5% of the total assets of the Bank (whichever is lower) during the year requiring immediate disclosure in terms of section 9.3.1 and disclosure in the Annual Report in terms of section 9.3.2(a) of the Listing Rules of the CSE.
- The aggregate value of the recurrent related party transactions with the same related party did not exceed 10% of the gross revenue/income of the Bank during the year requiring disclosure in the Annual Report in terms of Section 9.3.2(b) of the Listing Rules of the CSE.

29. DIRECTORATE OF THE SUBSIDIARY, SEYLAN DEVELOPMENTS PLC

The Board of the Bank's Subsidiary, Seylan Developments PLC as at 31 December 2022 comprised the following all of whom continued to be on the Board of the Subsidiary as at the date of this Report:

- Mr K P Ariyaratne (Non-Executive Director/Chairman);
- Mr S Palihawadana (Independent Director/Deputy Chairman);
- Mr Sunil De Silva (Senior Independent Director);
- Mr R J Jayasekara (Non-Executive Director); and
- Mr P D Hennayake (Independent Director).

30. HUMAN RESOURCES

In providing the strategic direction on the Human Resources Management pillar in the Bank, the Board Human Resources and Remuneration Committee ('BHRRC') worked very closely with the senior management in the year 2022 to sustain and maintain the momentum of the HR initiatives for operational excellence in all aspects.

During the first quarter of the year the Bank initiated multiple projects for the development of people management best practices to regain the working culture which was in the Bank prior to Covid-19. However, all communities in the country had to face many challenges due to political and economic unrest which had a major impact on their day to day living. As a result of the adverse economic downturn, the Bank's staff too experienced many challenges in balancing work life due to shortages of daily essentials and in the increase cost of living.

The BHRRC along with management played a vital role in introducing financial assistance, flexible working arrangements and many other forms of relief arrangements to staff with many follow-up management meetings to make sure the working conditions of employees. Despite the tough market conditions and difficulties faced in delivering minimum uninterrupted customer service, Bank's staff as a dedicated team spent time and efforts in driving the initiatives on culture transformation and shifting the business culture

REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY

to the next level and making Seylan a great place to work for all employees in the Bank.

Furthermore, leadership development and succession planning have been in the list of priorities and objectively implemented the structured senior management appointments in the organizational structure of the Bank for sustainable growth. Many certifications and structured training programs were carried out to ensure that the staff are equipped with the required competency levels in driving business initiatives.

31. CORPORATE GOVERNANCE

The year 2022 too continued to be a challenging year for the Bank as much as for the industry and other businesses due to the macro-economic conditions prevailed in the country. The Board of Directors played an active role in ensuring that the interests of its various stakeholders, namely the shareholders, customers, employees, regulators, general public, etc., were handled in a way that was consistent with its obligations to these groups and with the long-term health of the Bank. The Board ensured that the systems and procedures established were adequately and practically adopted and followed by the management.

The extent of compliance with the regulatory directions, rules and best practice guidelines on corporate governance have been disclosed in the Corporate Governance Report published in the Annual Report.

The External Auditors carried out an agreed upon procedure in accordance with the Sri Lanka Related Services Practice Statement (SLRSPS 4750) with regard to the Bank's compliance with the Banking Act Direction No. 11 of 2007 on Corporate Governance and confirmed that the findings were consistent with the matters reported in the Corporate Governance Report in the Annual Report.

32. RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS

32.1 Risk Management

The Board Integrated Risk Management Committee (BIRMC) was vested with this responsibility by the Board and the BIRMC ensured the implementation of a sound risk management framework by means of an ongoing process to identify, evaluate and manage the risks that are faced by the Bank. The Chief Risk Officer reported and updated the status of the Bank's overall risks to the Committee at its regular quarterly meetings. The Report of the BIRMC and a detailed report on Risk Management of the Bank are published in the Annual Report.

Capital Management

The Bank has an ongoing process to evaluate the adequacy of capital in line with strategic aspirations and to comply with the BASEL III guidelines. The detailed review on Capital Management is discussed in the Risk Management Report published in the Annual Report.

32.2 System of Internal Control

The Board recognizes that upholding of a robust and effective internal control framework is indispensable due to the resultant positive impact on the Bank's performance and good governance. Internal control is a process, carried out at various levels in the Bank, aiming to provide a reasonable certainty of achievement of the objectives; safeguarding of assets; efficiency and effectiveness of operating activities; reliability of accounting information and compliance with laws and regulations. The internal control framework of the Bank consists of organizational structures; policies; effectively designed, documented and periodically reviewed business processes with inbuilt control mechanisms, instructions and guidelines and duly approved delegated authority levels. An effective internal control framework is a key decisive factor for the

sustainability of the Bank in the long run in terms of market share, service quality, profitability and stakeholder confidence.

The Board confirms the existence of an effective system of internal controls for managing the risks faced by the Bank by taking timely risk mitigation actions and ensuring operational effectiveness of such internal controls, which had been in place throughout the year under review up to the date of approval of this Annual Report and have been consistently reviewed.

33. COMPLIANCE WITH LAWS AND REGULATIONS

The Bank has not engaged in any activities contravening any laws and regulations currently in force. Key management personnel confirm compliance with various laws and regulations and their confirmations were reported to the Board on a monthly basis by the Compliance Officer during the year.

34. OUTSTANDING LITIGATIONS

In the opinion of the Directors and external legal counsels retained by the Bank, litigations currently pending against the Bank as disclosed in Note 48 to the Financial Statements will not have a material impact on the financial position of the Bank or its future operations.

35. SHARE TRUST COMPANIES AND THE SEYLAN BANK EMPLOYEES' GRATUITY TRUST FUND

On the same basis which has been disclosed in the Annual Report of the Bank for 2021, current employees and former employees satisfying certain criteria reached agreement with the Bank during 2022 for the receipt of an 'enhanced gratuity' based on one-month basic salary for each year of service and for the Bank to settle such liability by utilizing the proceeds from the disposal of the shares held in the six share trust companies. For this purpose, the Bank arranged for the transfer of shares to the Seylan Bank PLC A/C No. 4 established on the Central

Depository Systems (Pvt) Ltd for the Seylan Bank Employees Gratuity Trust Fund, and such shares were transferred through the trading floor of the Colombo Stock Exchange.

36. ENVIRONMENTAL PROTECTION

The Bank has not engaged in any activity that is harmful or hazardous to the environment and has always taken measures on environmental protection and its sustainability.

37. STATUTORY PAYMENTS

The Directors are satisfied that all statutory payments including all taxes, duties and levies payable by the Bank and its Subsidiary, to the government, regulatory institutions and related to the employees have been made or where relevant provided for.

38. EVENTS AFTER THE REPORTING DATE

No events have occurred after the reporting date which would require adjustments to or disclosure in the Accounts, other than those given in Note 50 to the Financial Statements.

39. GOING CONCERN

The Directors further confirm that having considered the financial position, operating conditions, regulatory and other factors and such other matters required to be addressed in the 'Code of Best Practice on Corporate Governance' issued by the CA Sri Lanka and the heightened uncertainty relating to the macro-economic conditions prevailing in the country the Bank and the Subsidiary, have adequate resources to continue the operations of the Bank and the Group in the foreseeable future. Accordingly, the Financial Statements of the Bank and the Group have been prepared on a going concern basis.

40. AUDITORS

The Bank's Auditors during the period under review were M/s KPMG, Chartered Accountants. The current Audit Engagement Partner was assigned for the Bank's external audit with effect from the financial year 2019. The audit fees and consolidated audit fees for the accounting period are given in Note 14 to the Financial Statements.

Based on the declaration made by M/s KPMG and as far as the Directors are aware, the Auditors do not have any relationship with or interest in the Company or its subsidiary other than the provision of audit and non-audit and related services as given in the said Note 14.

The retiring Auditors, M/s KPMG have expressed their willingness to continue in office and a resolution to re-appoint them as Auditors and to authorize the Directors to fix their remuneration will be proposed at the Annual General Meeting.

41. INDEPENDENCE OF THE AUDITORS

Based on an assessment carried out by the Board Audit Committee, the Board concluded that the External Auditors, M/s KPMG can be deemed to be independent for all intents and purposes considering the following factors:

- No partner from the Firm is on the Board of Seylan Bank or on the Board of its subsidiary.
- The audit and non-audit fees paid/payable to the Auditors are negotiated and are not above industry norms and they do not receive fees from other assignments except as stated in Note 14 to the Financial Statements.
- M/s KPMG is a firm of high repute and the firm had the necessary skills and competency to carry out the non-audit related assignments

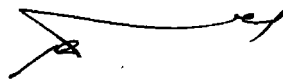
(which do not fall into the definition of prohibited services) entrusted to them.

- Partner and Audit-team rotation was complied with in the financial year 2019.

42. NOTICE OF ANNUAL GENERAL MEETING

Notice of Meeting relating to the Thirty Sixth (36th) Annual General Meeting of the Bank scheduled to be held on Thursday, 30 March 2023 at 10.30 a.m. at 'Bougainvillea Hall', Galadari Hotel, No. 64, Lotus Road, Colombo 01 together with the relevant documentation will be dispatched to the shareholders. They will also be uploaded on the websites of the CSE (www.cse.lk) and that of the Bank (www.seylan.lk) together with the Annual Report of the Bank. Hardcopies of the Annual Report will be issued by the Company Secretary to any securities holder on receiving a formal request.

We, the undersigned acknowledge the contents of this Report and its' Annexure and have placed our signatures for and on behalf of the Board of Directors of Seylan Bank PLC, at Colombo, this 22 day of February, 2023.



W M R S Dias
Chairman



K P Ariyaratne
Director/Chief Executive Officer



(Ms) Saraswathie Poulraj
Company Secretary

ANNEXURE TO THE REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY

Directors' Interest Register and Directors' Interest in transactions as at 31 December 2022

The Bank carries out transactions in the ordinary course of business at commercial rates with entities in which a Director of the Bank is the Chairman or a Director of such entities. Please refer Note 51 to the Financial Statements for information on related party transactions.

The entities in which the Directors of the Bank held directorships and substantial shareholdings as at 31 December 2022 are disclosed below.

Mr W M R S Dias (Non-Executive Director/Chairman)

Entity	Directorships (Executive/ Non-Executive status)	Substantial Shareholding % (if any)
Listed Entities		
1. Carson Cumberbatch PLC	Independent Non-Executive Director	-
2. Senkadagala Finance PLC	Independent Non-Executive Chairman	-
3. Tokyo Cement Co (Lanka) PLC	Independent Non-Executive Director	-
Unlisted Entities		
4. Ceylon Tea Marketing (Pvt) Ltd	Independent Non-Executive Chairman	-
5. Jay-Cey-Tea (Pvt) Ltd	Non-Executive Chairman	-
6. Superfine Teas (Pvt) Ltd	Non-Executive Chairman	-
7. Tokyo Super Cement Company Lanka (Pvt) Ltd	Non-Executive Director	-
8. Tokyo Cement Power Lanka (Pvt) Ltd	Non-Executive Director	-
9. Tokyo Eastern Cement Company (Pvt) Ltd	Non-Executive Director	-
10. Tokyo Supermix (Pvt) Ltd	Non-Executive Director	-

Mr Kapila P Ariyaratne (Director/Chief Executive Officer)

Entity	Directorships (Executive/ Non-Executive status)	Substantial Shareholding % (if any)
Listed Entities		
1. Seylan Developments PLC	Non-Executive Chairman	-
Unlisted Entities		
2. Credit Information Bureau of Sri Lanka	Non-Executive Director	-
3. Esots (Pvt) Ltd	Non-Executive Chairman	-
4. Lanka Financial Services Bureau Ltd	Non-Executive Director	-
5. Sesot (Pvt) Ltd	Non-Executive Chairman	-
6. Seyshop (Pvt) Ltd	Non-Executive Chairman	-
7. Seybest (Pvt) Ltd	Non-Executive Chairman	-
8. Seyfest (Pvt) Ltd	Non-Executive Chairman	-
9. Sotse (Pvt) Ltd	Non-Executive Chairman	-
10. Sri Lanka Banks' Association	Non-Executive Director	-

Mr Anushka S Wijesinha (Independent Director/Senior Director)

Entity	Directorships (Executive/ Non-Executive status)	Substantial Shareholding % (if any)
Listed Entities		
1. HNB Finance PLC	Independent Non-Executive Director	-
Unlisted Entities		
2. BizEx Consulting (Pvt) Ltd	Executive Director	-
3. Environment Foundation Gte Ltd	Non-Executive Director	-
4. FairFirst Insurance Ltd	Independent Non-Executive Director	-
5. Good Life X (Pvt) Ltd	Executive Director	-
6. Smart Future (Pvt) Ltd	Executive Director	-

Ms Sandya K Salgado (Independent Director)

Entity	Directorships (Executive/ Non-Executive status)	Substantial Shareholding % (if any)
Unlisted Entities		
1. Carnival Movies Lanka Ltd	Executive Director	-
2. Film Island (Pvt) Ltd	Non-Executive Director	55%
3. Jigsaw International (Pvt) Ltd	Executive Director	50%
4. WAD International (Pvt) Ltd	Non-Executive Director	25% [indirect]
5. The Drug Shop	Partner	50% (partnership)

Mr D M D Krishan Thilakaratne (Non-Executive Director)

Entity	Directorships (Executive/ Non-Executive status)	Substantial Shareholding % (if any)
Listed Entities		
1. Commercial Factors PLC	Non-Executive Director	-
2. LOLC Finance PLC	Director/Chief Executive Officer	-
Unlisted Entities		
3. Commercial Insurance Brokers (Pvt) Ltd	Non-Executive Director	-
4. LOLC Myanmar Micro Finance Company Limited	Non-Executive Director	-
5. Fazo S Micro Deposit Organization -Tajikistan	Non-Executive Director	-

Mr D Ravindra Abeysuriya (Independent Director)

Entity	Directorships (Executive/ Non-Executive status)	Substantial Shareholding % (if any)
Listed Entities		
1. HNB Assurance PLC	Independent Non-Executive Director	-
2. Colombo City Holdings PLC	Non-Executive Chairman	-
Unlisted Entities		
3. Bio-Foods (Pvt) Ltd	Non-Executive Director	-
4. CFA Society Sri Lanka	Non-Executive Director	-
5. SenFin Asset Management (Pvt) Ltd	Non-Executive Director	-
6. SenFin Securities Ltd	Executive Director	-
7. Straight Sale (Pvt) Ltd	Non-Executive Director	-
8. Sri Lanka Institute of Directors	Non-Executive Director	-
9. Sherwood Capital (Pvt) Ltd	Non-Executive Chairman	-

ANNEXURE TO THE REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY

Mr L H A Lakshman Silva (Independent Director)

Entity	Directorships (Executive/ Non-Executive status)	Substantial Shareholding % (if any)
Listed Entities		
1. Panasian Power PLC	Independent Non-Executive Chairman	-
Unlisted Entities		
2. Eco Green Solar Solution (Pvt) Ltd	Non-Executive Chairman	-
3. FineGreen Gannoruwa (Pvt) Ltd	Non-Executive Chairman	-
4. FineGreen Mattala (Pvt) Ltd	Non-Executive Chairman	-
5. FineGreen Rajarata (Pvt) Ltd	Non-Executive Chairman	-
6. FineGreen Ridiyagama (Pvt) Ltd	Non-Executive Chairman	-
7. Lower Kothmale Oya Power Two (Pvt) Ltd	Non-Executive Chairman	-
8. Manelwala Hydropower (Pvt) Ltd	Non-Executive Chairman	-
9. Padiyapelella Hydro Power (Pvt) Ltd	Non-Executive Chairman	-
10. Panasian Investments (Pvt) Ltd	Non-Executive Chairman	-
11. Panasian Power Zambia Limited	Non-Executive Chairman	-
12. Panthree Solaro Energy (Pvt) Ltd	Non-Executive Chairman	-
13. PAP Solar One (Pvt) Ltd	Non-Executive Chairman	-
14. Powergen One (Pvt) Ltd	Non-Executive Chairman	-
15. Rajarata Sustainable Development (Pvt) Ltd	Non-Executive Chairman	-
16. Solar Power Generation Matara (Pvt) Ltd	Non-Executive Chairman	-
17. Winsol Renewables (Pvt) Ltd	Non-Executive Chairman	-

Ms V G S Sunjeevani Kotakadeniya (Non-Executive Director)

Entity	Directorships (Executive/ Non-Executive status)	Substantial Shareholding % (if any)
Listed Entities		
1. Agstar PLC	Non-Executive Chairperson	-
2. Hapugastenna Plantations PLC	Non-Executive Director	-
3. LOLC General Insurance PLC	Non-Executive Director	-
4. Sierra Cables PLC	Non-Executive Director	-
5. Udapussellawa Plantations PLC	Non-Executive Director	-
Unlisted Entities		
6. Browns Engineering & Construction (Pvt) Ltd	Non-Executive Director	-
7. Browns Hotels & Resorts Ltd	Non-Executive Director	-
8. Browns Metal & Sands (Pvt) Ltd	Non-Executive Director	-
9. BI Commodities and Logistics (Pvt) Ltd	Non-Executive Director	-
10. Gurind Accor (Pvt) Ltd	Non-Executive Director	-
11. Iconic Trust (Pvt) Ltd	Non-Executive Director	-
12. Maturata Plantations Ltd	Executive Director	-
13. NPH Investment (Pvt) Ltd, Maldives	Non-Executive Director	-
14. Pak Oman Microfinance Bank Ltd, Pakistan	Non-Executive Director	-
15. Samudra Beach Resorts (Pvt) Ltd	Non-Executive Director	-
16. Serendib Microinsurance PLC - Cambodia	Non-Executive Director	-
17. Sierra Piling (Pvt) Ltd	Non-Executive Director	-
18. Tropical Island Commodities (Pvt) Ltd	Non-Executive Director	-

Non-Executive Director, Mr S V Corea, Independent Director, Mr D M Rupasinghe and Independent Director, Ms A A Ludowyke did not hold any directorships or substantial shareholdings in other entities as at 31 December 2022.

Risk Management

Seylan Bank undertakes risk management with the primary aim of adopting and advocating an enterprise-wide approach towards the management of risk. The Bank takes a holistic approach towards risk management which enables both the pursuit of business objectives and the fulfilment of stakeholder expectations efficiently and effectively while withstanding the evolving challenges in the external environment.

The risk management process provides a cohesive structure and framework to identify, assess, prioritise and manage the current and inherent risks of business activities. This process is designed to embed risk management behaviours within every aspect of the Bank's operations in such a way as to fit the complexity and size of the organisation while allowing for sustainable future growth. Additionally, the Bank has also developed a Risk Governance Framework, which underpins the risk culture of the Bank as a means to safeguard the environment in which risk management can exist and prosper.

The Three Lines of Defence

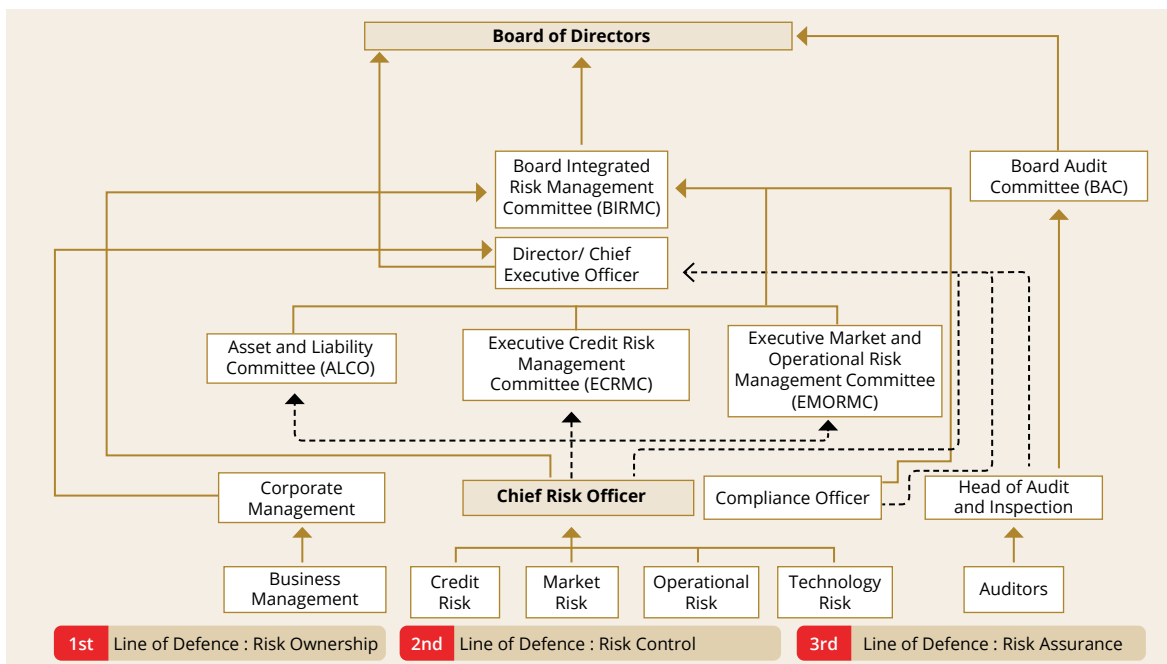
Seylan Bank manages its business risk using the 'Three Lines of Defence' model. This approach ensures that each employee is fully aware of their responsibilities in the management of risk, irrespective of whether their role is in a commercial, policy-making or control function. The Three Lines of Defence approach also ensures that risk management responsibilities are properly aligned to strategic plans and corporate objectives, thereby directing the actions of all employees who must perform an important role in the risk management process.

The first line of defence includes the branches, business units and departments, which are responsible for managing the risks related to day-to-day operations. The Director/Chief Executive Officer and the Corporate Management team are responsible for managing and steering the relevant business units that ensures proper risk management and controls are adhered to and complied with.

The second line of defence is a separate but integral part of the first line of defence. The second line ensures that risks are appropriately identified, monitored, assessed and managed. The second line is established mainly at the Head Office but works hand-in-hand with the business units to ensure

business operations are carried out with due diligence and in a risk mitigated environment. The second line of defence comprises of the Risk Management Unit and the Compliance Department, with responsibilities to create and maintain the corporate risk governance framework, risk management systems and the policies and procedures which provide the boundaries within which business activities will be carried out. The second line also performs the risk control function. The third line of defence is the Internal and External Audit functions which provide an independent and objective assurance of the Bank's corporate governance and internal control systems and processes. This includes the effectiveness and efficiency of the internal controls in the first and second lines of defence.

This approach to managing risk has enabled the Bank's risk management function to evolve and become stronger over the years while complying with local and global best practices in risk management. It has supported the development of risk management policies and procedures which are adaptable to emerging trends in the operating environment while taking into consideration business needs as well as regulatory requirements and recommendations.



RISK MANAGEMENT

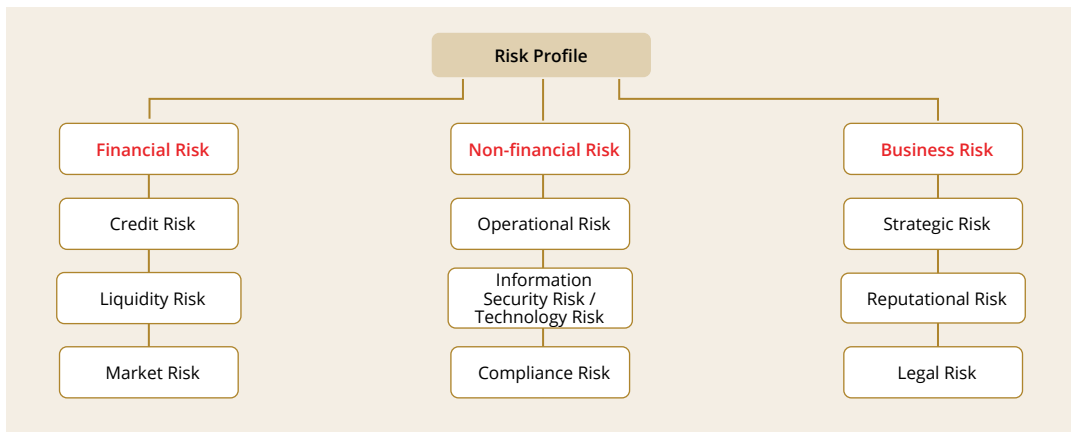
Risk Culture

The risk management culture is embedded within the larger organisational culture. The essence of our mission and business model supports to mitigate the risk and seek opportunities allowing the Bank to develop a resilient business that is able to play its part in the sphere of banking in a more diverse, sustainable and transparent manner.

In addition, our internal governance structure provides a sound basis to

enable an effective risk culture. The Three Lines of Defence in particular, ensures merging of responsibilities across the organisation in terms of business, risk, compliance and internal audit ensuring each employee understands the boundaries of their responsibilities and how their position fits into the organisation’s internal control and risk management framework. This also relates to the aspect of segregation of duties, which is an important element of the internal governance and organisational structure.

The Board Integrated Risk Management Committee (BIRMC) performs its ‘oversight’ role by setting the ‘Tone at the Top’. They lead in the development of the key elements of the internal control and risk management framework, including setting of risk appetite, strategy, targets, values and company culture, approval of risk and compliance frameworks, overall risk related policies and the approval of internal control over financial risk.



The Main Board has delegated decision-making authority to the following risk committees at a central level.

Financial Risks

The financial risks of the Bank are denoted by Credit Risk, Liquidity Risk and Market Risk.

- Credit Risk – The Executive Credit Risk Management Committee (ECRMC) manages the credit risk throughout the Bank. It also formulates clear credit policies and makes recommendations for Board approval. The ECRMC ensures that the Board of Directors and the BIRMC have all the credit risk related information needed for decision making. However, it is the Board Credit Committee (BCC) that has the authority to review and where appropriate, approve credit facilities and recommend them to the Board of Directors which is the final approving authority.

- Liquidity and Market Risk – The Asset and Liability Committee (ALCO) has authority to decide on acceptable exposures and how to manage market, interest rate and liquidity risks. While BIRMC is apprised with information for decision making, the final approval is with the Board of Directors.

Non-Financial Risk

- The Executive Market and Operational Risk Management Committee (EMORMC) has the authority to oversee and approve on all Operational Risk, Information Security Risk / Technology Risk, Market and Liquidity Risk and Compliance Risk matters related to the Bank’s business activities.

The committee is responsible to coordinate the processes of implementing and managing the effectiveness of Operational Risk Management Policies, Information Security Risk Management Policies and Market Risk Management

Policies that are formulated and reviewed by BIRMC and approved by the Board of Directors.

The Organisational Structure clearly defines the roles and responsibilities of the executives involved in managing risk, the risk appetite, strategy and related risk limits for non-financial risk for approval by the Board, taking into account the Bank’s Corporate strategy.

- The New Product Development Committee has the authority to recommend new products and are responsible for reviewing updates and changes to existing products.
- The Information Security Committee is responsible for both strategic and operational aspects of information security and technology risk management. Director/CEO is the Chairman of the committee and other members are from IT, HR, Operations, Risk,

Compliance and internal Audit. ISC reports to the Board of Directors through BIRMC.

Business Risk

- In addition to the financial and non-financial risks, BIRMC has the authority to review the strategic risk, reputational risk and the legal risk of the Bank and take necessary decisions. The committee is chaired by an Independent Non - Executive Board member and ensures consistent decision

making on material risks of the Bank's wider strategy including business risk and any other risks that may have adverse effects on the Bank's sustainable operations.

The Risk Appetite Statement

The risk appetite outlines the amount of risk the Bank is willing to accept in the pursuit of its objectives. The Bank has set comprehensive and robust risk tolerance limits based on the Risk Appetite of the Bank. While BIRMC

reviews the Risk Appetite Statement of the Bank, the final approval lies with the Board of Directors. The Board of Directors are responsible for the risk appetite limit structure which is reviewed annually to align with business growth and strategy.

The Bank sets risk tolerance limits for its key risk indicators pertaining to credit risk, market risk, liquidity risk, operational risk and technology risk.

Credit Risk	Market Risk	Liquidity Risk	Operational Risk	Technology Risk
Stage 3 ratio	Negative Maturity Gap less than one year to total liabilities	Statutory Liquid Asset Ratio for DBU & FCBU	Pawning - Operational Losses	Hacking Attacks & Password Compromises
Overdrafts without limits	Government securities to total Interest Bearing Assets	Liquidity Coverage Ratio	Non-rectified high risk audit findings	Data Leakages
Large exposures to core capital	Market value of equity investments to total Interest Bearing Assets	Advances to Deposit Ratio	Cheque returns	Patch Management
Impairment to Stage 3 loans ratio	Foreign Currency Net Open Position	Advances to Stable Funds	Fraudulent transactions relating to credit cards	End-point Security
Watchlist performing advances	Interest Rate Risk in the Banking Book - Economic Value of Equity (EVE)	Advances to Deposits + Debentures	Customer Complaints	System Vulnerabilities
Related-party lending to core capital		Funding Risk	Staff Turnover	
Geographical and industry concentration		Net Stable Funding Ratio	Labour Tribunal Cases	
		Swap Funding	Cash Shortages/ Excesses	
		External Borrowings		

The Bank puts forth and follows a comprehensive risk appetite agenda in managing all risks emanating from banking operations. The risk appetite statement takes a holistic view of the way in which risk is managed and mitigated.

	Limit	2022	2021
1 Gross NPA Ratio	7.93%	10.02%	7.01%
2 Gross NPA Ratio (Net of IIS as per CBSL)	6.85%	8.75%	5.94%
3 Overdue + NPA/Total Advances	16.40%	18.68%	13.17%
4 Watch list/Total Performing Advances	8.18%	8.64%	5.80%
5 Performing Overdrafts without limits (LKR Mn)	500	323	110
6 Large exposures (over LKR 500 Mn)/Total capital	8 Times	7.1 Times	6.39 Times
7 Exposures on the Related parties/Total Capital	max of 55%	36.72%	44.85%
8 Open Credit Exposure	Less than 26.20%	30.24%	21.78%
9 Total Government Security Investments to Total Assets (Interest Earning)	Less than 30%	23.04%	18.50%
10 Equity Investment Value (Quoted CSE) to Total Assets (Interest Earning)	Less than 1%	0.45%	0.43%
11 Net Open Position (USD Mn)	+10/-16	+4.130	-11.51
12 Statutory Liquid Asset Ratio - Domestic Banking Unit	Greater than 21.00%	25.16%	22.84%
13 Statutory Liquid Asset Ratio - Foreign Currency Banking Unit	Greater than 21.00%	25.02%	23.30%
14 Advances to Deposits Ratio Bank	Less than 97.50%	89.61%	95.34%
15 Advances to Deposits + Debentures	Less than 95.00%	86.20%	91.31%
16 Advances to Stable Funds	Less than 100.00%	89.60%	94.02%
17 Swaps (USD Mn)	175	56.38	117.10
18 External Borrowings (LKR Bn)	50	5.48	10.57

RISK MANAGEMENT

Banking Act Direction No.13 of 2021 – Classification, Recognition and Measurement of Credit Facilities in Licensed Banks

The Central Bank of Sri Lanka issued the Direction on Classification, Recognition and Measurement of Credit Facilities in Licensed Banks dated 14/09/2021. The Direction has been issued with a view to further strengthen and harmonise the regulatory framework on Classification, Recognition and Measurement of Credit Facilities in Licensed Banks with the Sri Lanka Accounting Standard, SLFRS 9: Financial Instruments and establishing consistent and prudent practices in the Banking industry.

To be in compliance with the Banking Act Direction No. 13 of 2021, the Bank developed and implemented the following Policies, Procedures and Guidelines with effect from 1 January 2022 with the approval of the Board of Directors.

- Procedure and Guidelines on Estimating Impairment Allowance under SLFRS 9.
- Model Validation Policy Document for Expected Credit Loss Model in line with the SLFRS 9 “Financial Instruments”.
- Policy on Upgrading/Downgrading of Re-scheduled/Restructured Facilities.
- Policy on Staging of Credit Facilities under Stage 2 & Stage 3 due to Significant Increase in Credit Risk (SICR) and the Rebuttals.
- Policy on Write off/ Write down of Non-performing Advances.

Further, the Risk Management Unit on a quarterly basis gets involved in ensuring accurate assessment of individually significant customers as impaired based on Objective Evidence and Independent Validation of (expected cash flows/assumptions) individually significant impaired facilities.

Need for Monitoring of Credit Facilities

Once credit facilities are granted to worthy clients after a careful credit evaluation, the Lending Officers

need to recognise the importance of closely monitoring the relevant credit exposures during the total tenor of the facilities to ensure that such credit facilities remain in the Performing Category to derive the expected financial benefits to the Bank. If not properly monitored the possibility of any credit facility later getting classified under the “Under Performing Credit Facilities - UPCFs (Stage-2)” or “Non-Performing Credit Facilities – NPCFs (Stage-3)” is more and such deterioration in the credit exposures will generate many adverse impacts.

Noting the importance of closely monitoring the credit facilities and to take timely corrective action to prevent slippage of such facilities in to the “Under Performing” or “Non Performing” categories, the Bank has already made arrangements by issuing internal guidelines to effectively establish a strong mechanism to monitor the Early Warning Indicators [EWIs] and Significant Increase in Credit Risk (SICR) factors across the Bank’s network and to take required remedial measures in time.

Monitoring of Early Warning Indicators

As part of our Bank’s efforts in identifying the distressed credit exposures at an early date to take the required corrective measures as relevant, the Risk Management Unit in collaboration with the Business Intelligence Unit has developed a set of System Query Reports to identify such credit exposures. These System Query Reports are now made available to the Lending Units at weekly intervals.

Managing Credit Risk

Credit risk is defined as the risk of a potential loss to the Bank, when a counter-party fails to perform on an obligation, in accordance with the agreed terms or its ability to perform such obligation is impaired resulting in a loss to the Bank. In essence, the proper management of credit risk underpins a Bank’s financial stability, growth prospects and profitability and as such Seylan Bank has developed a well-structured credit risk management process in order to maintain the quality of the credit portfolio of the Bank at an optimal level.

Accordingly, credit risk is managed through a comprehensive framework which includes well-

defined policies and procedures comprising clearly structured approval hierarchies and different committees to oversee various aspects of credit risk management processes. In addition, the Bank manages its credit exposures through diversification strategies across products, geographical areas, industries and customer segments.

The Bank’s Credit Standards and Policy Manual outlines the fundamental standards and disciplines that must be implemented to actively manage credit risk across our lending book. The Lending Guidelines conversely outlines the Bank’s strategic risk/reward objectives in the light of evolving market conditions by clearly setting out the preferred industries and lending types to be targeted for lending growth during each calendar year.

These standards, policies and guidelines lay down key roles and responsibilities of those required to originate, identify, analyse, rate, review, price, report, diversify, control/mitigate and manage credit risk and are applicable to all lending activities undertaken by the Bank.

In addition to setting up exposure limits for individual customers, the Bank manages counter-party credit exposures, using the ‘one obligor principle’, so that all facilities to a group of borrowers wholly or substantially owned or controlled by common or related parties are aggregated and evaluated together under the coordination of a designated lead relationship manager.

The monitoring of credit concentration is an integral part of the credit risk monitoring process at Seylan Bank. Accordingly, the Bank constantly reviews its credit concentration on a number of areas such as geography, product type, industrial sectors and maturity. Close monitoring of key ratios/internal thresholds on a continuous basis and stress testing of the credit portfolios form another strategy to measure and monitor the credit concentration risk of the Bank’s loan portfolio.

Additionally, the Bank’s credit risk management strategy includes identifying emerging customer risks which can impact on business activities well in advance. This

ensures that the credit facility or the relationship returns the expected profitability while the close monitoring of the usage of working capital facilities ensures prevention of diversion of funds into unintended areas and ensures timely repayment of the facilities.

Assessment of Credit Risk

In order to grow the Bank's loan book through high quality loans and advances, there is a clear segregation of duties between transaction originators in business areas and approving authorities under the risk function. All credit exposure limits are approved within a well-defined credit approval authority framework. Credit risk evaluation and approval is undertaken by experienced credit risk professionals operating within a clearly defined delegated authority framework, with only the most senior credit officers entrusted with the higher levels of delegated authority. All high value credit propositions above a certain threshold level are approved by the Internal Credit Committee, Board Credit Committee, or the Board of Directors as relevant.

The Bank has delegated credit approval authority to individual lending officers based on a consistent set of standards such as experience, judgement and ability. These authority levels are subject to review annually. If an individual lending officer's authority is insufficient to establish, materially change or restructure the required credit limits, these proposals are escalated to an officer or committee having the required higher delegated authority. In addition, the individual credit exposure limits of customers are subject to a critical review annually and require the approval at the appropriate authority level. Managers recommending, reviewing or approving facilities are held accountable for the outcome.

Credit Risk Mitigation

In mitigating credit risk, the Bank primarily relies on a rigorous assessment of credit applicants, the strength of their business model, sustainable financial conditions and our ability to meet their current and future financial requirements. Further, the lending proposals are typically required to show more than one independent credible source of repayment. The primary source is established through a

conservative evaluation of whether the borrower's realistic projected cash flows will be sufficient to repay their debts. The Bank normally requires this to be supported by at least one alternative way of settling the debt in the event of unforeseen adverse circumstances, but firmly believes that the availability of collateral does not in itself make an unacceptable lending proposition acceptable.

In instances where the Bank accommodates highly reputable and financially strong corporate borrowers whose performance is regularly and rigorously reassessed on the basis of reliable financial information; we exceptionally grant facilities on an unsecured basis solely based on their cash flows.

The Bank uses various techniques and controls to limit and mitigate credit risk exposures and reduce potential credit losses. These include documenting credit transactions with adequate terms, conditions and covenants in a comprehensive and legally enforceable basis and obtaining of guarantees, financial or other collaterals to provide a secondary recourse to minimise credit losses. Such guarantees serve to mitigate the inherent risk due to credit default and minimise any related losses by either substituting the borrower default risk or improving recoveries.

The Bank nets-off collateralised cash deposits against the on-balance sheet non-performing advances in the instances where the relevant documentation which is legally binding on all parties and enforceable across all jurisdictions are available.

In the standardised approach, collateral recognition is limited to eligible financial collateral such as gold only, but this approach provides a preferred (lower) risk weight for 'SME exposures secured by immovable property' and 'claims secured by residential property'. Though the Bank relies on the individual and corporate guarantees in granting credit facilities, the Bank has not relied upon any credit derivative instruments to transfer the credit risk assumed on customers.

The customers exceeding capital outstanding of LKR 25.0 Mn as at assessment date is considered as

Individually Significant and selected for Individual assessments. Further, all individually not significant credit facilities and individually significant non-impaired facilities are selected for Collective assessment.

Impairment provisions of Individually significant impaired facilities are measured by estimating future cash flows on an individual basis as follows;

- Multiple scenario application for facilities over LKR 100.0 Mn
- Single Scenario assessment for facilities below LKR 100.0 Mn

RMU is involved in validating all the Individually significant impaired facilities prior to finalization of the quarterly financials on an ongoing basis. Accordingly, individually significant impairments are done with the concurrence of Risk Management Unit.

The Bank has developed an Expected Credit Loss (ECL) Model in line with the requirements of SLFRS 9 Financial Instruments for the Collective impairment assessment. The key components of the ECL model is as follows;

- Probability of Default (PD)
- Loss Given Default (LGD)
- Exposure at Default (EAD)
- Discount Factor (DF)

The Bank obtained the services of an external consultant to validate the ECL models as well as for capacity building to carryout SLFRS 9 model validations internally going forward.

The Risk Management Unit is also involved in identifying and recommending the Risk Elevated Industries for Management overlay under SLFRS9 Impairment Provisioning through the concurrence of the ECRMC and BCC.

Monitoring, Reporting and Disclosure of Credit Risk

Respective Business Unit Heads are primarily responsible for monitoring the performance of their lending to ensure that the Bank's credit portfolio profitability and lending quality objectives are achieved. Credit risk management uses a comprehensive range of quantitative tools and Bank-wide

RISK MANAGEMENT

credit limits to monitor lending, contingent commitments and other off-balance sheet exposures, profitability, quality trends and concentrations and identifies whether the Bank is growing undue exposure concentrations and whether credit risks are adequately remunerated. The Risk Management Unit makes recommendations for suitable amendments if required, after reviewing the existing credit policy framework.

The Chief Risk Officer (CRO) reports these concentrations regularly together with his recommendations for corrective actions to the ECRMC and escalates the significantly important matters to the attention of the BIRMC. This rigorous process enables the Board of Directors to oversee the Bank's credit risk exposures, ensuring that the Bank quickly identifies emerging risks and risks that are not aligned with the Board approved credit risk appetite while initiating timely corrective measures.

Loan Review Mechanism

In line with the Banking Act Direction No. 07 of 2011 under the "Integrated Risk Management Framework", the Bank has adopted a Loan Review Mechanism (LRM) which stands as an effective tool for constantly evaluating the quality of the loan book and bringing about qualitative improvements in credit administration.

Under the purview of the CRO, the Credit Risk Review Unit conducts independent risk reviews of high value loans (LKR 500 Mn and above)/ small and mid-tier facilities (through Regional Risk Officers)/product portfolio reviews. Independent risk reviews are conducted within three months of sanction/renewal of facilities covering at least 30%-40% of the loan portfolio within a calendar year.

For the year 2022, the Credit Risk Review Unit has performed a total of 693 reviews to the value of LKR 196.811 Bn which covers 35.24% of the Net Loans and Receivables of the Bank.

The main focus of the independent risk reviews is on the approval process, accuracy and timelines of credit ratings assigned by loan

officers, adherence to internal policies and procedures, applicable laws/regulations, compliance with covenants and conditions, post sanction follow-up, sufficiency of documentation and portfolio quality.

The findings of the reviews and the recommendations for improving the portfolio quality are presented to the ECRMC and to the attention of the BIRMC.

Qualitative Disclosures

Definition of Past due and Impaired Based on CBSL Guidelines

A Non-Performing Loan is any loan that is 90 days or more past due or is otherwise individually impaired (which represents those loans against which individual impairment provisions have been raised) and excludes:

- Loans renegotiated before 90 days past due and on which no default in interest payments or loss of principal is expected.
- Loans renegotiated at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since renegotiation and against which no loss of principal is expected.

Impaired Loans comprise both individually and collectively identified loans for the assessment of impairment allowances. These loans also include collateralised loans or loans where indebtedness has already been written down to the expected realisable value. This category includes all loans that have been transferred to legal/recovery departments. The impaired loan category may include loans, which, while impaired, are still performing. The accruing past due 90 days or more loan category comprises loans that are 90 days or more past due with respect to principal or interest. An impairment allowance will be raised against these loans, if the expected cash flows discounted at the effective interest rate are less than the carrying value.

The Impaired and Restructured Loans category comprises loans which are not included above, where for economic or legal reasons related to the debtor's

financial difficulties, a concession has been granted to the debtor that would not otherwise be considered. Where the concession results in the expected cash flows discounted at the effective interest rate being less than the loan's carrying value, an impairment allowance will be raised.

Approach on Individually Significant and Collective Loan Loss Provisioning

The Bank's loan loss provisions are established to recognise impairment losses incurred either on specific loan assets or within a portfolio of loans and receivables.

Impairment allowances may be assessed and created either for individually significant accounts or on a collective basis for groups of individually significant accounts for which no evidence of impairment has been individually identified or for high volume groups of homogeneous loans that are not considered individually significant. Individually impaired loans are those loans against which individual impairment provisions have been raised.

Estimating the amount and timing of future recoveries involves significant judgement and considers the level of arrears as well as the assessment of matters such as future economic conditions and the value of collateral, for which there may not be a readily accessible market.

Loan losses that have been incurred but have not been separately identified at the Statement of Financial Position date is determined on a portfolio basis and assigned an Expected Credit Loss (ECL) experienced as a result of uncertainties arising from the economic environment and defaults based on portfolio trends. Under SLFRS/LKAS, impairment allowances are recognised where there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition and where these events have had an impact on the estimated future cash flows of the financial asset or portfolio of financial assets. Impairment of loans and receivables is measured as the difference between the carrying amount and the present value

of estimated future cash flows discounted at the financial asset's original effective interest rate. If the carrying amount is less than the discounted cash flows, then no further allowance is necessary. Impairment allowances are measured individually for assets that are individually significant and collectively where a portfolio comprises homogeneous assets and where appropriate statistical techniques are available.

As per SLFRS 9, calculation of the impairment has been assessed and disclosed based on Stages 1, 2 and 3 of the portfolios and such disclosures are explained in Note 25 of Financial Statements.

Credit Risk

Concentrations with Limits

Credit concentration risk may arise where a number of counter-parties are engaged in similar activities and have similar characteristics, which could result in the inability to meet contractual obligations being similarly affected by changes

in economic or environmental conditions. Concentration risk is mitigated to a large extent by stipulating prudent credit risk limits on various parameters. CBSL also has specified certain guidelines on maximum exposures in respect of single/related party borrower limits and large exposures.

Related Party Lending

Related parties include the Major Shareholders, Subsidiary Directors and Key Management Personnel of the Bank and their close family members (CFM). The Bank has set an internal limit on the overall exposure to the related parties and ensures that credit decisions are made on a rational basis, as per the relevant legislation, approved policies and procedures and is based on market terms, with no preferential treatment.

Over Exposure to Geographical Areas, Economic Sectors and Lending Products

Exposure to a single sector of the economy or lending product or

to a narrow geographical region is another dimension of risk concentration. Borrowers may be vulnerable in the event of an economic or market downturn affecting their economic sector, which in turn can affect their ability to service the loans. In order to mitigate this risk, the Bank sets individual concentration limits for exposure to various sectors. The Bank closely monitors the quantum and quality of lending by geographical areas.

Quantitative Disclosures

Credit Exposure by Product Types as at 31 December 2022

The core banking products such as term loans and overdrafts account for approximately 70% of total advances. The specialised products are closely monitored to mitigate inherent risks. Refer Note 25 in financial statements.

An age analysis of the Stage 3 credit facilities by product distribution as at 31 December 2022 based on CBSL Directions is as follows:

Loan Category	3-6 Month	6-12 Months	12-18 Month	18 Months and above	Grand Total
	Special Mention	Substandard	Doubtful	Loss	
	LKR (000)	LKR (000)	LKR (000)	LKR (000)	
Credit Card	128,026	23,260	17,582	271,019	439,887
Housing	415,191	158,623	198,439	1,400,059	2,172,312
Leasing	1,927,600	909,590	629,635	743,626	4,210,451
Pawning	291,128	41,992	2,930	37,884	373,934
Staff Loans	8,282	1,595	3,906	24,812	38,595
Term Loan	9,658,189	3,479,801	5,520,019	17,965,011	36,623,020
Trade Finance	1,970,749	65,859	136,008	3,920,050	6,092,666
OD	3,609,152	1,032,747	624,967	6,459,568	11,726,434
Total	18,008,317	5,713,467	7,133,486	30,822,029	61,677,299

Credit Risk Management Outlook for 2023

- The Bank has obtained professional expertise in validating the Internal customer rating models/ scorecards. In 2023, the Bank will develop/ revamp the internal customer rating models/ scorecards incorporating the proposed changes so that these models stands up to date with the market conditions.
- The Bank will be procuring a Delinquency Management System (DMS) to facilitate and streamline the Collection & Recovery process of the Bank. This DMS will be having an in-built Machine Learning Capability and Early Warning Indicators (EWIs) as well.
- The Credit Risk Review unit will incorporate an automation mechanism within the Loan Origination System for the following; identification of high value exposures for timely reviews & approval process (already implemented) and comprehensive data capturing.
- Make arrangements to bring the work flow of the Provision Calculations on Individually Significant Loans within the Bank's Loan Origination System (which is now the Bank's de facto Digital Approval System) to further streamline the related process.

RISK MANAGEMENT

Managing Market Risk

Market Risk is the risk taken in relation to price fluctuations in the financial markets which would have an adverse impact on the trading exposures and the foreign exchange Net Open Exposure as well as the risk that would impact the on-balance sheet and off-balance sheet risk, triggered by interest rate fluctuations.

Market Risk takes place when the value of portfolios, instruments or investments increase or decrease as a result of volatility and unpredicted movement in market factors such as exchange rates, interest rates and prices. Several types of risk may arise due to market volatility in prices and interest rates and the Bank manages and monitors these risks diligently.

Policy and Responsibility

The Board of Directors defines the overall policies / limits for the market risk exposures. The limits on market risk are defined giving due consideration of the risk they imply and how they match the Bank's strategic plan. On behalf of the Board, the Risk Committees; EMORMC and ALCO are responsible for managing the market risk in the Bank's major business areas especially the Treasury. In the first line of defence; the Treasury is responsible in monitoring and managing the Bank's market risk and trading exposures. Business Units are closely monitored for their market risk operations but is managed and monitored under the Treasury exposures. The Risk Management Unit (RMU) reports market risk to ALCO on a monthly basis. RMU also reports to EMORMC monthly and to BIRMC on a quarterly basis. The timely reporting to the Corporate Management enables quick and sound decision making and required actions to be taken to manage market risk proactively.

Treasury Middle Office

The Treasury Middle Office (TMO) is the arm of the Market Risk Unit, which oversee and monitor the controls put in place by the

Board of Directors for Market Risk Management in treasury operations on a daily basis.

Some of the monitoring tools set by the Management and Board which enables TMO to adopt a stringent monitoring mechanism includes but is not limited to;

- A set of limits to ensure that risk-takers do not exceed the aggregate risk and concentration parameters set by the Board. Limits are proposed for business units and risk sources by the Management and is Board approved.
- Online and real time monitoring of Treasury dealing and trading through the dynamic Treasury Risk Management System
- Independent mark-to-market valuation, reconciliation of positions and tracking of stop losses for trading positions on a timely basis.
- Accountability for the support and maintenance of the Treasury Management System reports and the design and delivery of value adding new reports
- A process for assessing the risk of new products.
- Independent Monitoring of Call Records in Treasury Operations

Stress Testing

Stress testing is an integral component of our risk and capital management framework. It allows

the Bank to assess potential vulnerabilities to the business, models or portfolios. It also helps to understand the sensitivities of the core assumptions in our strategic and capital plans and improve decision making through balancing risk and return.

In addition to the comprehensive internal stress tests scenarios reflecting the outcome in the annual ICAAP risk assessment, the Bank also performs regular stress test exercises taking into consideration external and internal stress test scenarios for management insight and timely decision making.

The stress tests are generally carried out applying static balance sheet assumptions either at a close of a month, quarter or the end of a financial year.

The result of the stress test reaffirms the resilience of our business models and the strength of the Banks capital base. Our commitment to maintain a robust, Capital Adequacy Ratio (CAR) in excess of the prevailing requirements as well as to minimise Earnings at Risk remains.

The Bank possesses a comprehensive Stress Testing Policy which outlines various scenarios and sensitivity analysis to measure the stress levels of exposures of Market and Interest Rate Risk as well as Liquidity Risk scenarios which covers the Bank Specific Risk Impacts and Systemic Risk Impacts which the Bank would have to proactively manage.

Likely Effects on Changing of Holding Value of Exposures As At 31 December 2022 (LKR 000')

	Carrying Value	Subject to Stress	Impact on Earnings/OCI	% Impact on Capital
Equity Risk (FVOCI Portfolio)	1,114,298	891,438	222,860	-0.02%
Exchange Rate Risk (NOP Long Position)	1,501,992	1,652,191	150,199	-0.03%
Trading Interest Rate Risk - (T/Bond Portfolio to a parallel shift)	349,281	343,934	5,347	-0.00%

- **Equity Risk** - All share prices fall by 20%.
- **Exchange Rate Risk** - Exchange rate appreciate by 10%
- **Trading Interest Rate Risk** - Upward parallel shift of the yield curve by 100 bps

Interest Rate Risk in the Banking Book

Interest Rate Risk in the Banking Book (IRRBB) arises principally from mismatches of assets and their funding cost (deposit liabilities) as a result of interest rate changes. The aim through the management of IRRBB is to mitigate the impact of prospective interest rate movements that could reduce future net interest income, while balancing the cost of such hedging activities on the net revenue stream. In most instances, the contractual terms of products differ due to customer behaviours. For these products, assumptions are used on behavioural analysis to allow more accurate and feasible risk management techniques to be adopted.

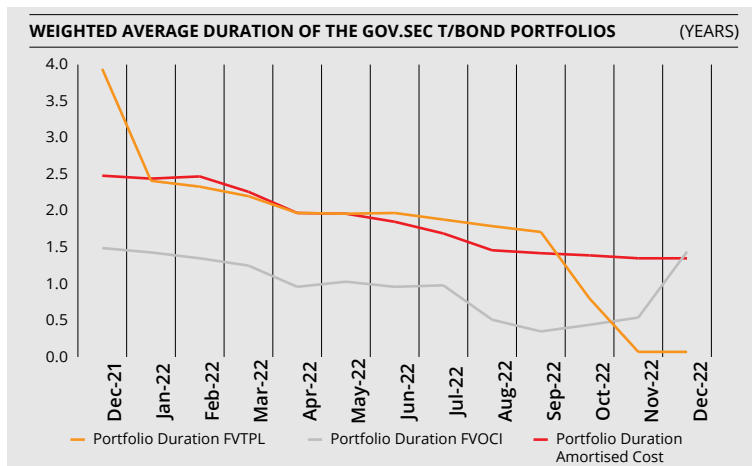
The deteriorating economic conditions continued during the current financial year where the financial industry had to face many challenges to manage interest rate risk in portfolios to optimal levels. In addition to the escalating interest rates in the market, inflationary pressure kept on mounting throughout the period, which led to pressure on assets as well as liabilities. Interest rates shot up over 30 percent and the economy contracted significantly during the year.

At Seylan Bank PLC these challenges were faced with a positive outlook, ensuring the interest rate risk faced by the Bank did not weigh down sustainable growth prospects as well as to manage the re-pricing risk using the behavioral patterns of the asset and liability portfolios'.

Portfolio Interest Rate Risk

The Bank's policy is to invest mostly in Government Securities such as Treasury Bills and Treasury Bonds to meet the liquidity requirements of the Bank and for trading purposes. Therefore, the Bank holds a substantial portion of Government Security Treasury Bills and Bonds as well as a minor portion of SLDBs and ISBs. As a result, the Bank is exposed to the Interest Rate Risk in these portfolios which is strategically managed and close monitoring takes place to avoid adverse impact to Capital and Earnings.

The following graph represent the weighted average duration of the Government Security Treasury Bond portfolios during 2022:



The Bank adopts a monthly Earnings at Risk (EaR) methodology that estimates the Bank's interest rate risk of the balance sheet, with a given level of confidence, over a one-year horizon. The EaR considers all pertinent risk factors and covers all financial instruments which expose the Bank to interest rate risk across nearly all product groups.

Mostly the interest rate risk is measured as the effects of a percentage point parallel shift of the yield curve. The analysis depicted in page 200 represents a change in annual net interest income with the rate change by (+/-) 100 and

200 bps and the balance sheet, presumed to be stable, assumes that the rate sensitive assets and liabilities are bucketed on their re-pricing maturities or failing which, on their contractual maturities or assumed maturities.

Exchange Rate Risk

The Bank considers that assets and liabilities in other currencies denote an exchange rate risk as they may vary in value over time relative to LKR. The Bank's core business as a commercial bank makes it necessary to have access to foreign currencies and to hold positions in major currencies.

Currency exposures are managed applying individual currency limits and the overall exposure is managed within the Net Open Position (NOP) limit defined by the regulator. Individual and cumulative intra-day limits, daylight limits and overnight limits are defined for the treasury to operate within these boundaries to mitigate the risk stemming through these exposures. The foreign exchange risk limits are agreed and approved by the Board of Directors.

The Bank's exchange rate risk mainly stems from:

- Customer loans/deposits in foreign currency and
- Treasury's positions in foreign currency

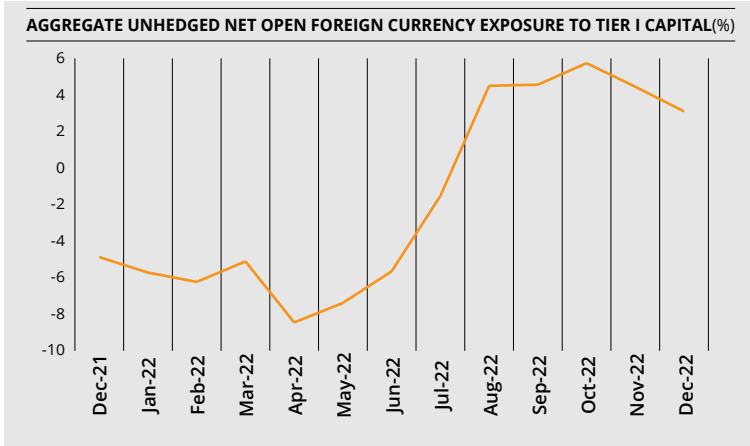
The foreign exchange risk is monitored and reported to the respective Heads of Management daily and is discussed at the ALCO on a monthly basis or more frequently, when a need arises due to the prevailing volatile market conditions.

Sri Lanka rupee collapsed from a level of LKR 200 to a level of LKR 360-370 to the US dollar during the year, which aggravated the shortfall in foreign exchange during the year as import restrictions were brought in. Given the uncertainty of currency fluctuations, the Bank's policy was to maintain a low foreign currency exposure. However, on

RISK MANAGEMENT

certain days the Bank was compelled to maintain the Net Open Exposure at maximum levels due to the scarcity of foreign exchange conversions which prevailed in the market, mostly during 2Q to 3Q of the year. Even so, the Bank was successful in meeting customer needs to the maximum level as well as to maintain the NOP at regulatory levels.

The following graph presents the NOP as a percentage of the Tier 1 Capital during the year 2022:

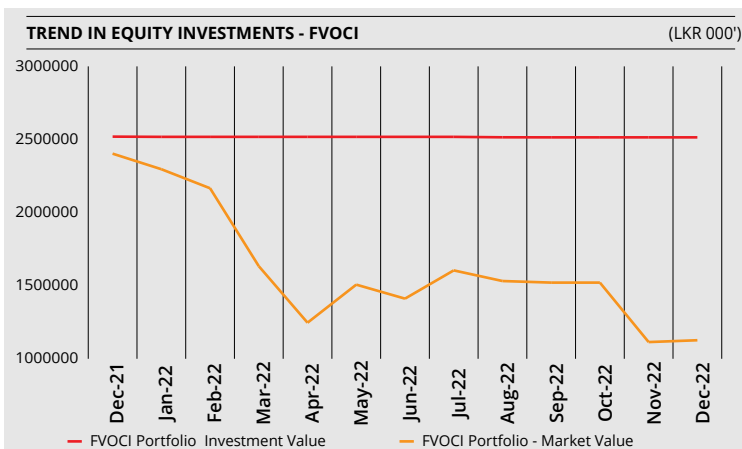


Share Investment Risk

The Bank's investment policy and the risk policy restricts equity positions to listed shares; invested for trading purposes and invested for strategic reasons. The Bank also holds unlisted shares made for reasons such as investments in unlisted banking related companies. These are mainly investments in companies providing financial infrastructure and financial services to the Bank. For some of these investments, the holding is revalued yearly according to the net worth of the companies.

The management of the price risk of equity investments is the responsibility of the Treasury Unit with oversight of the Treasury Investment Committee. The Market Risk Management Unit acts independently in monitoring and reporting the Share Investment Risk and is responsible for reporting the impact on earnings on a daily basis to the Treasury Investment Committee and the impact on earnings and regulatory capital on a monthly basis to ALCO and EMORMC and subsequently to BIRMC.

The graph represents the investments in shares and the behaviour of market values of the share investments in the FVOCI portfolio during the year 2022:



Managing Liquidity Risk

Liquidity risk is the risk that the Bank either does not hold sufficient financial resources to meet our obligations as they fall due or can only access these financial resources at an excessive cost.

The Bank's policy is to maintain adequate liquidity at all times to meet local currency requirements and for all other major foreign currencies and hence to be in a position to meet obligations as they fall due. The Bank manages liquidity risk both on a short-term and medium-term basis. In the short-term, our focus is on ensuring that the cash flow demands can be met when and where required. In the medium term, the focus is on ensuring that the balance sheet remains structurally sound and aligned to the Bank's long-term strategy.

ALCO is the responsible governing body that oversees the Bank's liquidity management policies. The Treasury receives authority from ALCO, which is responsible in managing the liquidity positions of the Bank. Liquidity is managed within the pre-defined liquidity limits approved by the Board and in compliance with internal liquidity policies and practices, as well as and external regulatory requirements. The Treasury proposes strategies in managing liquidity risk, while RMU is instrumental in setting up and overseeing the implementation of policies and other controls relating to liquidity risk.

There have been occasions where exceptional market events have had an impact in the management of liquidity, thereby slowing down the pace in the Bank's ability to manage liquidity risk to the full potential. Under the COVID-19 pandemic situation as well as the country's economic down turn, the liquidity in the market saw a significant decrease. As a result, to manage liquidity, the Bank had to depend on market forces as well as the regulator to bridge the liquidity shortfalls for day-to-day operations.

However, by the latter part of year the Bank was able to overcome these liquidity crunches to manage liquidity risk at very satisfying levels and achieved high liquidity buffers during the year. Hence the Bank was able to successfully overcome these shortfalls and maintain healthy liquidity positions to meet the banking needs as well as regulatory requirements.

Control and Management

The Bank considers tapping available sources of liquidity, preserving necessary funding capacity and continuous contingency planning as the essential ingredients in managing liquidity risk. Liquidity targets are maintained to ensure that even under adverse conditions funds are available to cover customer needs, maturing liabilities and other funding requirements.

Deposits represent the Bank's principal source of funding. Our well-diversified retail deposit portfolio represents a large portion of our funding concentration while a portion of hot money has been raised from corporate and institutional customers. The Bank raises funds, locally or globally, which includes repurchase agreements and money market instruments.

To mitigate uncertainties in the customer behavioural patterns, the customer deposit base is diversified by type and maturity levels. In addition, the Bank has in place a contingency funding plan including a portfolio of liquid assets that can be realised if a liquidity stress occurs, as well as ready access to wholesale funds under normal market conditions.

Measurement and Management of Liquidity Risk

The Bank's liquidity strategy, including policies and procedures for measuring, managing and

controlling liquidity, helps to fulfil the objectives of maintaining sufficient sources of liquid funds to meet funding obligations when they are due. The strategy, policies and processes are designed to ensure that the Bank is in a position to fund all obligations across planned time horizons, during both normal operations and under stress situations.

The policies and procedures outline appropriate early warning indicators to alert the Bank to a pending liquidity issue through a number of prudential ratios and funding concentration levels. Measuring liquidity risk is key to ensuring liquidity issues are identified timely.

In terms of measuring liquidity, Basel III introduced two minimum standards for measuring adequate funding and liquidity in stressed situations. The Bank ensures to measure and manage liquidity risk as per these Basel III standards and requirements.

The liquidity coverage ratio (LCR), shown in the table on page 153 under Basel III computation of liquidity coverage ratio enables the

Bank to measure the short-term resilience of the Bank's liquidity risk profile by ensuring that the Bank has sufficient high-quality liquid assets (HQLA) to survive a stress scenario lasting 30 days. The Net Stable Funding Ratio (NSFR), shown in the table on page 148 under Key Regulatory Ratios also enables to reduce the funding risk over a one year time horizon by requiring the Bank to fund activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

As envisaged in the ALM policy, while the Liquidity Risk is managed through the stock approach, liquidity risk is also managed through the traditional flow approach better known as the 'Gap Analysis' based on the residual maturity/ behavioural pattern of assets and liabilities as prescribed by the CBSL and against prudential (tolerance) limits set for different residual maturity time buckets. In addition to the contractual maturity mismatches the Bank mostly concentrates on the behavioural patterns of the assets and liabilities which give a more realistic scenario to the asset and liability mismatches.

MARKET RISK AND LIQUIDITY RISK OUTLOOK FOR 2023

- The Bank is currently making preliminary arrangements to replace the existing Treasury Management System with an updated version of a new fully fledged Treasury Management System to further strengthen the Treasury Front Office activities which will also enhance the Market Risk management and controls of the Treasury Middle Office.
- In addition to the risk controls in place to manage Liquidity Risk, the Bank will monitor and manage the Liquidity Risk through a scorecard to enhance better measurement and management of Liquidity Risk through the stock approach and the flow approach to assess the impact on Capital.

RISK MANAGEMENT

The Maturity Gap Based on Behavioural Analysis is depicted in the following table

Category	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More Than 5 Years	Total as at 31.12.2022
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Interest Earning Assets						
Loans and Advances	160,686,959	106,727,638	94,033,786	45,824,705	36,946,420	444,219,508
Placements with Banks and Finance Companies	1,819,036	-	-	-	-	1,819,036
Government of Sri Lanka Treasury Bills/ Bonds, Development and Sovereign Bonds	37,396,742	40,224,230	34,145,842	10,703,369	12,587,681	135,057,864
Investments in Debentures	49,863	108,241	66,500	266,472	398,921	889,997
Securities Purchased under Resale Agreements	3,628,549	-	-	-	-	3,628,549
Group Balances Receivable	12,913	4,214	1,830	2,639	2,639	24,235
Balance with Banks	16,000	586,617	-	-	-	602,617
Total Interest Earning Assets	203,610,062	147,650,940	128,247,958	56,797,185	49,935,661	586,241,806
Non Interest Earning Assets						
Cash in Hand	10,872,247	-	-	-	-	10,872,247
Balances with Central Bank of Sri Lanka	4,624,599	3,846,215	1,545,148	3,275,536	3,492,674	16,784,172
Balances with Banks	28,779,650	-	-	-	-	28,779,650
Investments in Equities	-	1,500,621	-	-	1,153,602	2,654,223
Group Balances Receivable	200	-	-	-	40,000	40,200
Property, Plant & Equipment/ Intangible Assets/ Right of Use Assets	-	-	-	-	9,163,005	9,163,005
Deferred Tax Assets	3,242,641	-	-	-	-	3,242,641
Derivative Financial Instruments	41,565	477,624	-	-	-	519,189
Other Assets	14,506,869	30	2	234	1,376	14,508,511
Total Non Interest Earning Assets	62,067,771	5,824,490	1,545,150	3,275,770	13,850,657	86,563,838
Total Assets	265,677,833	153,475,430	129,793,108	60,072,955	63,786,318	672,805,644

Liabilities & Equity

Category	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More Than 5 Years	Total as at 31.12.2022
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Interest Bearing Liabilities						
Financial Liabilities at Amortised Cost due to Depositors	124,083,336	121,756,688	48,633,063	104,833,096	112,313,564	511,619,747
Financial Liabilities at Amortised Cost due to Debt Securities Holders	11,919,051	25,319	-	-	-	11,944,370
Due to Banks and Other Borrowings	559,281	-	11,606,232	-	-	12,165,513
Debt Securities Issued	4,516,350	3,909,355	4,896,750	6,686,000	1,609,000	21,617,455
Group Balances Payable	70,132	3,075	129,000	-	-	202,207
Lease Liabilities	95,303	255,609	657,751	658,401	3,434,183	5,101,247
Total Interest Bearing Liabilities	141,243,453	125,950,046	65,922,796	112,177,497	117,356,747	562,650,539
Non Interest Bearing Liabilities						
Demand Deposits	19,043,999	6,198,169	2,690,982	3,881,429	3,881,429	35,696,008
Other Liabilities	13,954,569	-	-	-	-	13,954,569
Derivative Financial Instruments	5,815	493,213	407,785	-	-	906,813
Current Tax Liabilities	5,128,484	-	-	-	-	5,128,484
Dividend Payable	18,758	-	-	-	-	18,758
Group Balances Payable	175	-	-	-	-	175
Equity	-	-	-	-	54,450,298	54,450,298
Total Non Interest Bearing Liabilities	38,151,800	6,691,382	3,098,767	3,881,429	58,331,727	110,155,105
Total Liabilities	179,395,253	132,641,428	69,021,563	116,058,926	175,688,474	672,805,644

Counter-party Credit Risk

Counter-party credit risk is the risk arising from the possibility that the counter-party may default on amounts owned on a transaction. Financial transactions that derive their value from the performance of assets, interest rates or currency exchange rates get included in structuring the obligation where debt obligations and deposits, swaps, futures and forward contracts are considered for the combination.

Counter-party credit risk which is managed and monitored by the Treasury Middle Office (TMO) are mostly transactions entered into by the Treasury Unit and a combination of trade transactions entered with foreign and local financial counterparts. The Treasury-related transactions include all foreign currency contracts, money market transactions and outright treasury transactions entered into with local and foreign counterparts. A limit framework is put in place to manage the counter-party credit risk. The TMO monitors on a real-time basis the utilisation of each counter-party against the stipulated limit and a daily reporting is carried out to apprise the Senior Management of any irregularities in the limits.

Country Risk Concentration

The Bank manages the exposure to country risk through a framework of limits, specifically limiting and monitoring its exposures to countries with trade barriers and embargoes. Limits are reviewed annually at a minimum, in conjunction with the review of country risk ratings. Country risk limits are approved by the Board and are monitored daily by the TMO.

Linkage between Accounting and Regulatory Exposure Amounts

Exposure to market risk is separated into two portfolios:

- Trading portfolios comprising positions arising from market making. The instruments classified under this portfolio

are Disclosed in Note 24 to the Financial Statements

- Non-trading portfolios comprising positions that primarily arise from the interest rate management of our retail and commercial banking assets and liabilities, financial investments designated as Fair Value through Other Comprehensive Income (FVOCI) and Amortised Cost. The instruments classified as Amortised Cost and FVOCI are disclosed in Notes 26 and 27 to the Financial Statements.

Recovery Plan

The Bank has established a policy framework to implement the Recovery Planning (RCP) for financial institutions, in line with the CBSL Banking Act Direction No. 09 of 2021 on the Recovery Plans for Licensed Commercial Banks and Licensed Specialised Banks.

The RCP framework seeks to put in place an effective and efficient process to enhance supervisability, recoverability and resolvability of the Bank, by incorporating essential elements and key attributes given in the regulatory framework.

The RCP framework aims to -

- facilitate the preparation and maintenance of a robust recovery plan by the Bank which serve as a strategic planning tool that;
 - Integrates with the risk appetite framework and reinforces risk management functions and
 - Strengthens the Bank to establish arrangements to recover from a wide range of stress events.

The RCP is developed in harmony with the ICAAP, Contingency Funding Plan (CFP) and the BCP of the Bank.

Managing Operational Risk

Operational Risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events

such as natural disasters, social or political events that may impact the Bank. Operational risk includes legal risk but excludes strategic and reputational risks.

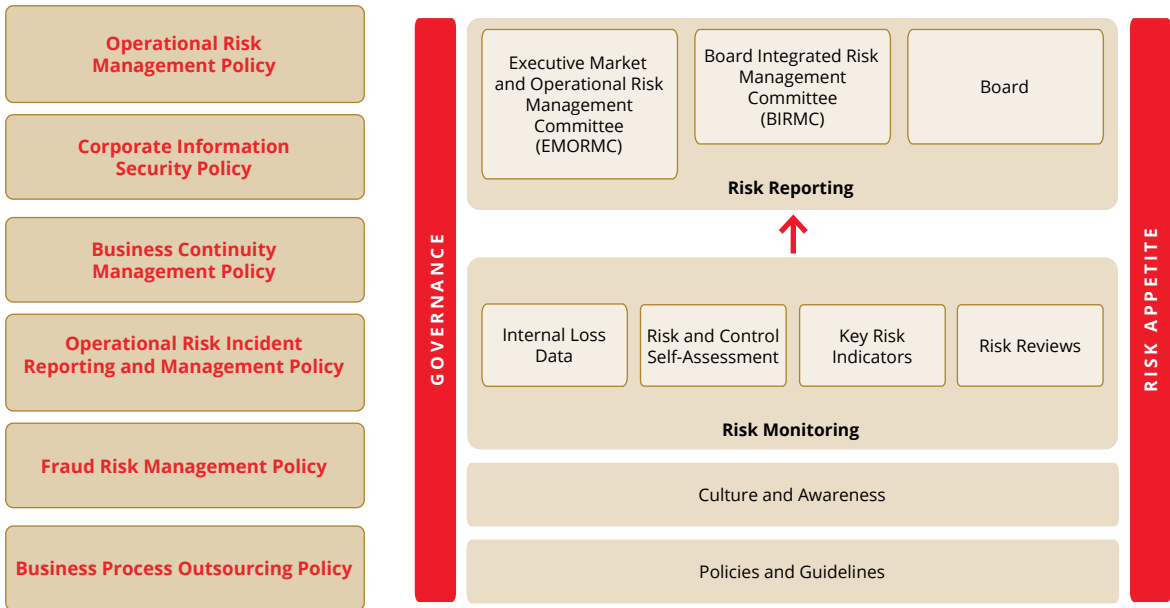
The Bank has a well-established Operational Risk Management Policy developed in line with CBSL and Basel guidelines. Under the comprehensive Operational Risk Management Policy, the roles and responsibilities for operational risk have been defined from Board level to business unit levels. The Board of Directors oversee the major aspects of the Bank's Operational Risk as a distinct risk category and approves periodical reviews of this framework.

Being the second line of defence, the objective of the Operational Risk Management Unit (ORMU) is to implement and enforce an appropriate framework for identification, assessment, monitoring and reporting of operational risks. The policies and guidelines listed here in are established within the Bank to manage operational risk effectively.



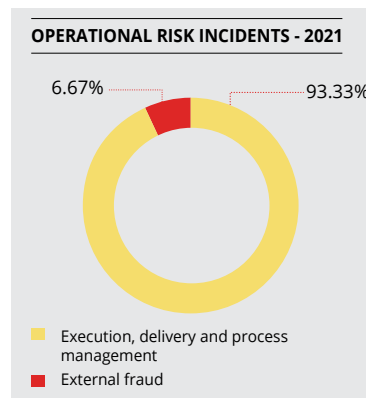
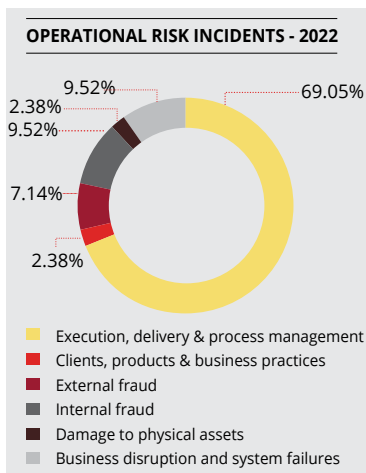
The Operational Risk Management function is enabled through the day-to-day processes within a predefined framework. The EMORMC is chaired by the Director/ CEO of the Bank and consists of members from Operations, IT, Treasury, Finance, Compliance, Internal Audit and Risk Management units. The CRO represents the risk management function at the BIRMC for reporting and accountability. The BIRMC ensures appropriate implementation of its instructions through the defined governance structure.

RISK MANAGEMENT



Technique	Management/Mitigation
Risk and Control Self-Assessment (RCSA)	RCSA is defined for key business units of the Bank and is reviewed annually to identify the inherent risks proactively. RCSA is a process through which operational risks and the effectiveness of controls are assessed and examined. Findings from the RCSA exercise are used to manage the residual risks through implementation of proper action plans and control improvements.
Key Risk Indicators (KRIs)	Key risk indicators are metrics used in risk management to provide an early signal of increasing risk exposures in various areas of the Bank. KRIs are reported to EMORMC and BIRMC by way of a dashboard and monitored against the corresponding threshold levels. The appropriate action plans are directed to mitigate the risks based on those thresholds.
Collecting, Analysing and Reporting Operational Risk Incidents	Incident reporting is encouraged within the Bank and ORMU has developed internal guidelines on incident reporting which is made available on the Intranet for staff members. Furthermore, monthly reminders on reporting incidents are circulated among the Unit Operational Risk Coordinators (UORC) and branches. All incidents reported by respective departments are recorded in a database and a root-cause analysis is performed in order to provide recommendations to ensure non-recurrence of the same incidents in the future. As per CBSL guidelines, loss events exceeding LKR 500,000 are reported on a quarterly basis to the CBSL.

Operational Risk Incidents



Appointment of Unit Operational Risk Coordinators (UORC)

The ORMU has appointed UORC for all departments/units of the Bank and explained responsibilities through an awareness session. The UORCs have to report incidents as and when they occur, provide information for Key Risk Indicators and complete the RCSA annually.

Technique	Management/Mitigation
Insurance Arrangements	The Bank has taken cover from insurance providers as one form of risk mitigation for high severity, low probability and uncontrollable operational risk events such as natural disasters or fire, as well as internal and external frauds, errors, omissions, hold-ups, employee infidelity etc. However, insurance has not been used for taking of risks that would otherwise not be undertaken, thereby avoiding moral hazards. These insurance policies are reviewed at regular intervals and enhanced on an ongoing basis to ensure adequate coverage for any plausible losses.
Reviewing New Products/Services/ Processes	The Bank provides risk assurance for newly implemented products through the New Products and Services Policy. This procedure includes proactive risk identification, assessment and introduction of risk mitigation controls for inherent risks of new products, processes, systems and their amended versions as well as for projects that have a material impact on the Bank's operations.
Reviewing information risk, integrity and availability	The Bank is positioned to identify and respond to suspicious information flows and intruder attacks while observing system readiness through its information risk management practices which use tools and techniques such as firewall technologies, intruder detection and hacking prevention systems. The Bank has introduced a sound Data Leakage Prevention (DLP) solution, Data classification software, Security Information and Event Management (SIEM), Web Application Firewall system and Internal Firewall system. Data centre infrastructure was completely refurbished with modern physical security controls and a virtual patch management solution has been introduced for critical servers in the data centre.
Effectiveness Business Continuity Plan (BCP) and Disaster Recovery (DR)	The BCP ensures the resilience to business disruption that may arise from internal or external events and focuses on reducing any adverse impact on human safety, business operations as well as profitability and reputation of the Bank. The Bank's well-established Disaster Recovery Site and separate Disaster Recovery Operating Centres (DROC) carry out DR drills for critical systems including the core banking system in order to verify the readiness of business continuity related issues. The relevant Executive Committees and regulators are updated on outcomes of the BCP and DR drills with the appropriate actions.
Managing Outsourcing activities	The Bank has developed and implemented a comprehensive policy on outsourcing in line with CBSL Direction No. 02 of 2012. This covers all aspects of due diligence controls such as comprehensive assessment, complaint handling, service quality monitoring and review of information security and business continuity plans of service providers.

OPERATIONAL RISK OUTLOOK FOR 2023

- The Bank has initiated actions to move into the Alternative Standardised Approach in quantifying operational risk capital charge.
- The Risk Management Unit is to procure and launch an operational risk management system in order to enhance the operational risk management process within the Bank

Information Security Management System

The well-established Information Security Management System (ISMS) based on the Baseline Security Standard provides a methodical approach to managing the Bank's information security risk. It ensures compliance with regulatory requirements and alignment with business objectives. Continuous Risk assessments are carried out to all critical information assets. Information Security Risk related KRIs are regularly monitored and reported. Continuous vulnerability assessments are conducted and comprehensive information security

user awareness programmes and E-Certification are implemented.

The Bank is in the process of implementing the CBSL Direction No16 of 2021 on Regulatory Framework on Technology Risk Management and Resilience for Licensed Banks. A Technology Risk Management Unit is established in order to implement the provisions outlined in the direction with regard to Risk Management Unit.

Simultaneously, the Bank has appointed an Acting CISO, reporting to Director/CEO. Further a third party subject specialist is assisting

the Bank in establishing all the requirements specified in the said CBSL guideline before the deadlines.

**Managing Capital Risk
Basel III minimum capital requirements and buffers**

Every licensed bank shall maintain, at all times, the minimum capital ratios prescribed in the table below and shall ensure compliance with Schedule I of the Banking Act Directions No 01 of 2016 on Capital Requirements under Basel III for licensed banks.

RISK MANAGEMENT

Components of Capital	Capital Adequacy Ratio to be maintained by Non-D-SIBs	Capital Adequacy Ratio to be maintained by D-SIBs
Common Equity Tier 1 including Capital Conservation Buffer	7.00%	7.00% + HLA
Total Tier 1 including Capital Conservation Buffer	8.50%	8.50% + HLA
Total Capital Ratio including Capital Conservation Buffer	12.50%	12.50% + HLA

Further, as per the CBSL letter dated 27 March, 2020 issued by the Governor on "Extraordinary Regulatory Measures taken by the Central Bank of Sri Lanka to provide flexibility to the Licensed Banks to support Businesses and Individuals affected by the outbreak of Corona Virus Disease (COVID-19), the Non-DSIBs were permitted to draw down their Capital Conservation Buffer by 50 basis points out of total 250 basis points.

However, the Bank acknowledges the challenges associated with increasing demand on capital as per the roadmap given by CBSL and is mindful about the contributory factors that require in recording a healthy CAR in the ensuing period.

The Internal Capital Adequacy Assessment Process (ICAAP) of the Bank is established based on the CBSL regulations in order to determine the level of capital to be maintained against all risks and to ensure that banks have adequate capital to support all risks.

The Bank has adopted the Standardised Approach (SA) for credit risk capital

calculation under Pillar 1. By nature of Bank's operations the capital charge for the credit risk remains high.

The Bank has adopted the Standardised Measurement Approach (SMA) for calculation of the market risk capital charge. The capital charge for market risk continues to remain low, considering the limited market operations of the Bank and due to the exposure to interest rate risk, equity risk and foreign exchange risk to a lesser extent.

With regard to operational risk, the Basic Indicator Approach (BIA) has been adopted under Pillar 1. The Bank is also geared to move into the Alternative Standardised Approach for operational risk calculation and has already requested the approval from CBSL to adopt the same.

Under Pillar II, Credit concentration in the corporate loan portfolio has been analysed using the Normalised Herfindahl-Hirschman Index (HHI) method and an adjustment to the capital charge is administered in the light of concentration of the Bank's business in large size borrowers.

The capital charge for interest rate risk in the banking book is calculated using the Economic Value of Equity (EVE) approach and the Earnings at Risk (EAR) approach. Overall, the ALM process in the Bank is well-managed and monitored using various indicators of liquidity and interest rate risks.

For reputational and strategic risk, detailed scorecards have been developed and the scorecard results have been calibrated to the capital charge.

The Board and Senior Management critically review the strategic direction of the Bank at the time the Strategic Plan is prepared and approved. Risk management is an integral part of the strategic planning process.

Quantitative and Qualitative Disclosures

The Pillar III disclosures are published in line with disclosure dates that commensurate with the Financial Reporting disclosure timelines.

Key Regulatory Ratios - Capital and Liquidity

Item	Minimum Requirement	Reporting Period 31.12.2022	Previous Reporting Period 31.12.2021
Regulatory Capital (LKR'000)			
Common Equity Tier 1 Capital		49,920,169	49,026,742
Tier 1 Capital		49,920,169	49,026,742
Total Capital		63,477,151	64,551,489
Regulatory Capital Ratios (%)			
Common Equity Tier 1 Capital Ratio	7.00%	10.69%	10.72%
Tier 1 Capital Ratio	8.50%	10.69%	10.72%
Total Capital Ratio	12.50%	13.59%	14.11%
Leverage Ratio	3.00%	7.25%	7.62%
Net Stable Funding Ratio	2022-90% 2021-100%	117.62%	109.34%
Regulatory Liquidity			
Statutory Liquid Assets			
Overall (LKR 000)		149,336,157	120,170,014
Domestic Banking Unit (LKR 000)		144,094,083	116,089,908
Off-Shore Banking Unit (USD 000)		35,226	36,430
Statutory Liquid Assets Ratio			
Overall	20.00%	25.51%	22.97%
Domestic Banking Unit	20.00%	25.16%	22.84%
Off-Shore Banking Unit	20.00%	25.02%	23.30%
Liquidity Coverage Ratio - Rupee	2022-90% 2021-100%	280.14%	163.02%
Liquidity Coverage Ratio - All Currency	2022-90% 2021-100%	175.10%	132.70%

Basel III Computation of Capital Ratios

Item	Amount (LKR'000)	
	Reporting Period 31.12.2022	Previous Reporting Period 31.12.2021
Common Equity Tier I (CETI) Capital after Adjustments	49,920,169	49,026,742
Common Equity Tier I (CET1) Capital	53,765,745	49,931,524
Equity capital (Stated Capital)/Assigned Capital	19,926,453	18,323,882
Reserve fund	2,568,162	2,332,549
Published Retained Earnings/(Accumulated Retained Losses)	30,579,775	28,712,398
Published Accumulated Other Comprehensive Income (OCI)	(9,220)	(413,623)
General and Other Disclosed Reserves	700,575	976,318
Unpublished Current Year's Profit/Loss and Gains reflected in OCI	-	-
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to CET1 Capital	3,845,576	904,782
Goodwill (net)		
Intangible Assets (net)	510,146	592,894
Others	3,335,430	311,888
Additional Tier 1 (AT1) Capital after Adjustments		
Total Additional Tier 1 (AT1) Capital		
Qualifying Additional Tier 1 Capital Instruments		
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties		
Total Adjustments to AT1 Capital		
Investment in Own Shares		
Others (Specify)		
Tier 2 Capital after Adjustments	13,556,982	15,524,747
Total Tier 2 Capital	13,556,982	15,524,747
Qualifying Tier 2 Capital Instruments	7,603,825	11,383,975
Revaluation gains	698,403	393,149
Loan Loss Provisions (General Provision)	5,254,754	3,747,623
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties		
Total Adjustments to Tier 2	-	-
Investment in own shares		
Others (Specify)	-	-
Total Tier 1 Capital	49,920,169	49,026,742
Total Capital	63,477,151	64,551,489
Total Risk Weighted Assets (RWA)	467,105,338	457,465,775
RWAs for Credit Risk	420,380,297	418,069,178
RWAs for Market Risk	4,116,017	7,586,464
RWAs for Operational Risk	42,609,024	31,810,133
CET1 Capital Ratio (including Capital Conservation Buffer, Counter cyclical Capital Buffer & Surcharge on D-SIBs) (%)	10.69%	10.72%
of which: Capital Conservation Buffer (%)	2.500%	2.500%
of which: Counter cyclical Buffer (%)		
of which: Capital Surcharge on D-SIBs (%)		
Total Tier 1 Capital Ratio (%)	10.69%	10.72%
Total Capital Ratio (including Capital Conservation Buffer, Counter cyclical Capital Buffer & Surcharge on D-SIBs) (%)	13.59%	14.11%
of which: Capital Conservation Buffer (%)	2.500%	2.500%
of which: Counter cyclical Buffer (%)		
of which: Capital Surcharge on D-SIBs (%)		

RISK MANAGEMENT

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 December 2022				
	a	b	c	d	e
	Carrying Values as Reported in Published Financial Statements	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	672,805,644	672,805,644	681,710,326	18,761,307	11,155,502
Cash and Cash Equivalents	40,254,514	40,254,254	40,254,254		
Balances with Central Bank	16,784,172	16,784,172	16,784,172		
Placements with Banks	1,819,036	1,819,036	1,819,036		
Derivative Financial Instruments	519,189	519,189	519,189		
Other Financial Assets Held-For-Trading	17,781,867	17,781,867	17,781,867	17,781,867	
Securities Purchased under Re-sale Agreements	3,628,549	3,628,549	3,628,549		
Loans and Receivables to Banks	-	756,888	756,888		
Loans and Receivables to Other Customers *	444,219,508	443,462,620	456,120,089		7,402,715
Financial Investments - Available-For-Sale	17,136,286	17,136,286	17,136,286	979,440	
Financial Investments - Held-To-Maturity	102,530,329	102,530,329	102,530,329		
Investments in Subsidiaries	1,153,602	1,153,602	1,153,602		
Investments in Associates and Joint Ventures	-	-			
Property, Plant and Equipment	3,770,541	3,770,541	3,770,541		
Investment Properties	-	-			
Goodwill and Intangible Assets	510,146	510,146			510,146
Deferred Tax Assets	3,242,641	3,242,641			3,242,641
Other Assets	19,455,264	19,455,524	19,455,524		
Liabilities	618,355,346	-	-	-	-
Due to Banks	12,158,030				
Derivative Financial Instruments	906,813				
Other Financial Assets Held-For-Trading	-				
Financial Liabilities Designated at Fair Value Through Profit or Loss	-				
Due to Other Customers	547,315,755				
Other Borrowings	11,944,370				
Debt Securities Issued	7,483				
Current Tax Liabilities	5,128,484				
Deferred Tax Liabilities	-				
Other Provisions	-				
Other Liabilities	19,074,574				
Due to Subsidiaries	202,382				
Subordinated Term Debts	21,617,455				
Off-Balance Sheet Liabilities	167,641,150	189,153,733	-	-	-
Guarantees	69,644,645	69,644,645			
Performance Bonds					
Letters of Credit	4,733,150	4,733,150			
Foreign Exchange Contracts	(563,439)	21,184,404			
Other Contingent Items	17,904,119	17,904,119			
Undrawn Loan Commitments	75,687,415	75,687,415			
Other Commitments	235,260	-			
Shareholders' Equity					
Equity Capital (Stated Capital)/Assigned Capital					
of which: Amount Eligible for CET1	19,926,453	19,926,453			
of which: Amount Eligible for AT1		-			
Retained Earnings	31,063,994	31,063,994			
Accumulated Other Comprehensive Income	(1,183,105)	(1,183,105)			
Other Reserves	4,642,956	4,642,956			
Total Shareholders' Equity	54,450,298	54,450,298	-	-	-

* Loans and Receivables to Other Customers in subject to Credit Risk Framework (C) is reported as the gross of Stage 1 and 2 ECL Provision (LKR 12.6 Bn) and of which LKR 7.4 Bn excluded from Tier II Capital.

The following regulatory risk measurement approaches are applied for purposes of capital adequacy:

1. Credit risk: The Standardised Approach
2. Operational risk: The Basic Indicator Approach
3. Market risk: The Standardised Measurement Approach

Credit Risk under Standardised Approach

Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects

Item	Amount (LKR'000) as at 31 December 2022						
	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	Total	RWA	RWA Density (ii)
Claims on Central Government and CBSL	155,470,583	-	155,470,583	-	155,470,583	2,005,384	1.29%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-	0.00%
Claims on Public Sector Entities	2,100,929	-	2,100,929	-	2,100,929	420,186	20.00%
Claims on Banks Exposures	31,964,147	-	31,964,147	-	31,964,147	15,614,412	48.85%
Claims on Financial Institutions	16,120,281	3,775,000	16,120,281	755,000	16,875,281	10,511,826	62.29%
Claims on Corporates	229,165,062	169,607,425	219,598,561	33,156,484	252,755,045	243,156,965	96.20%
Retail Claims	161,386,932	18,736,659	130,383,368	8,800,385	139,183,753	80,690,316	57.97%
Claims Secured by Residential Property	19,188,719	-	19,188,719	-	19,188,719	8,148,081	42.46%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	0.00%
Non-Performing Assets (NPAs) (i)	28,122,392	-	28,122,392	-	28,122,392	32,547,595	115.74%
Higher-Risk Categories	-	-	-	-	-	-	-
Cash Items and Other Assets	38,191,278	-	38,191,278	-	38,191,278	27,285,532	71.44%
Total	681,710,323	192,119,084	641,140,258	42,711,869	683,852,127	420,380,297	61.47%

(i) NPAs- As per Banking Act Directions on classification of loans and advances, income recognition and provisioning
(ii) RWA Density- Total RWA/Exposures post CCF and CRM

Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights

Asset Classes	Risk Weight	Amount (LKR'000) as at 31 December 2022 (Post CCF & CRM)										Total Credit Exposures Amount	
		0%	10%	20%	35%	50%	60%	75%	100%	150%	>150%		
Claims on Central Government and CBSL		145,443,665		10,026,917									155,470,582
Claims on Public Sector Entities			2,100,929										2,100,929
Claims on Banks Exposures			19,159,481		2,703,743			9,441,483	659,441				31,964,148
Claims on Financial Institutions			691,992		11,619,722			4,563,566	-				16,875,280
Claims on Corporates			3,126,505		14,298,985			235,224,323	105,233				252,755,046
Retail Claims						13,591,012	87,562,281	6,530,197					107,683,490
Claims Secured by Gold		29,831,251		1,669,012									31,500,263
Claims Secured by Residential Property				16,985,597				2,203,122					19,188,719
Claims Secured by Commercial Real Estate													-
Non-Performing Assets (NPAs) (i)						789,152		17,693,682	9,639,558				28,122,392
Higher-Risk Categories													-
Cash Items and Other Assets		10,874,052		39,618				27,277,608					38,191,278
Total		186,148,968	-	36,814,454	16,985,597	29,411,602	13,591,012	87,562,281	302,933,981	10,404,232	-	-	683,852,127

RISK MANAGEMENT

Operational Risk

Operational Risk Under Basic Indicator Approach

Item		Gross Income (LKR'000)		
		2022	2021	2020
Gross Income		51,020,258	30,878,490	24,623,812
Capital Charges for Operational Risk (15%) - (LKR'000)	5,326,128			
Risk-Weighted Amount for Operational Risk (LKR'000)	42,609,024			

Market Risk

Market Risk under Standardised Measurement Approach

Item	Capital Charge as at 31 December 2022 (LKR'000)
Capital charge for Market Risk	514,502
(a) Capital Charge/ Interest Rate Risk	48,694
General Interest Rate Risk	48,694
(i) Net Long or Short Position	48,694
(ii) Horizontal Dis-allowance	
(iii) Vertical Dis-allowance	
(iv) Options	
Specific Interest Rate Risk	
(b) Capital Charge for Equity	278,063
(i) General Equity Risk	140,852
(ii) Specific Equity Risk	137,211
(c) Capital Charge for Foreign Exchange & Gold	187,745
Total Risk Weighted Assets on Market Risk [(a)+(b)+(c)]*CAR	4,116,017

Computation of Liquidity Coverage Ratio (LCR)

The objective of the Liquidity Coverage Ratio (LCR) is to promote the short term resilience of the liquidity risk profile of banks by ensuring that sufficient high quality liquid assets are available to survive a significant stress scenario lasting 30 calendar days.

Computation of Leverage Ratio

Item	Amount (LKR '000)	
	Reporting Period 31.12.2022	Previous Reporting Period 31.12.2021
Tier 1 Capital	49,420,169	49,026,742
Total Exposures	688,763,290	643,499,708
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	641,140,258	575,726,940
Derivative Exposures	1,282,614	1,317,130
Securities Financing Transaction Exposures	3,628,549	10,029,031
Other Off-Balance Sheet Exposures	42,711,868	56,426,607
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)	7.25%	7.62%

Basel III Computation of Liquidity Coverage Ratio

Item	Amount (LKR'000)					
	Reporting Period - 31.12.2022			Previous Reporting Period - 31.12.2021		
	Total Un-weighted Value	Factor (%)	Total Weighted Value	Total Un-weighted Value	Factor (%)	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)			110,443,939			94,700,915
Total Adjusted Level 1A Assets	104,920,453		104,920,453	93,426,488		93,426,488
Level 1A Assets	105,053,293	100%	105,053,293	94,618,796	100%	94,618,796
Total Adjusted Level 2A Assets			-			-
Level 2A Assets			5,316,957			-
Total Adjusted Level 2B Assets			73,689			82,119
Level 2B Assets	147,379	50%	73,689	164,239	50%	82,119
Total Cash Outflows			113,258,279			103,280,199
Deposits	413,448,212	10%	41,344,821	372,813,987	10%	37,281,399
Unsecured Wholesale Funding	117,367,882	25% -100%	60,199,428	108,923,206	25% -100%	51,664,273
Secured Funding Transactions			-			-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	162,286,926	0% -100%	7,767,676	218,901,577	0% -100%	11,050,521
Additional Requirements	3,946,354	100%	3,946,354	3,284,007	100%	3,284,007
Total Cash Inflows			50,182,738			31,917,946
Maturing Secured Lending Transactions Backed by Collateral			-			-
Committed Facilities	-		-	-		-
Other Inflows by Counter-party which are Maturing within 30 Days	92,421,761	50%-100%	48,772,625	48,809,632	50%-100%	31,556,533
Operational Deposits	28,939,964		-	6,975,880		-
Other Cash Inflows	2,312,148	50% -100%	1,410,113	525,579	50% -100%	361,413
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days)*100			175.10			132.70

RISK MANAGEMENT

Main Features of Regulatory Capital Instruments

Description of the Capital Instrument	Ordinary Voting Shares	Ordinary Non-Voting Shares	Debenture Issue - 2016 (7 years)	Debenture Issue - 2018 (5 years, 7 years & 10 years)	Debenture Issue - 2019 (5 years)	Debenture Issue - 2021 (5 years)
Issuer	Seylan Bank PLC	Seylan Bank PLC	Seylan Bank PLC	Seylan Bank PLC	Seylan Bank PLC	Seylan Bank PLC
Unique Identifier (e., ISIN or Bloomberg Identifier for Private Placement)	LK0182N00002	LK0182X00001	LK0182D23542	LK0182D23955	LK0182D24219	LK0182D24722
				LK0182D23963	LK0182D24227	LK0182D24730
				LK0182D23971		
Governing Law (s) of the Instrument	Provisions of the Banking Act, Rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka, Provisions of the Companies Act No. 7 of 2007 and the Articles of Association of the Bank	Provisions of the Banking Act, Rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka, Provisions of the Companies Act No. 7 of 2007 and the Articles of Association of the Bank	Rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka, Provisions of the Companies Act No. 7 of 2007, the Articles of Association of the Bank, Prospectus of the Debenture Issue and the Trust Deed	Rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka, Provisions of the Companies Act No. 7 of 2007, the Articles of Association of the Bank, Prospectus of the Debenture Issue and the Trust Deed	Rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka, Provisions of the Companies Act No. 7 of 2007, the Articles of Association of the Bank, Prospectus of the Debenture Issue and the Trust Deed	Rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka, Provisions of the Companies Act No. 7 of 2007, the Articles of Association of the Bank, Prospectus of the Debenture Issue and the Trust Deed
Original Date of Issuance	April 1988	September 2003	15th July 2016	29th March 2018	18th April 2019	12th April 2021
Par Value of Instrument	N/A	N/A	LKR 100/- each	LKR 100/- each	LKR 100/- each	LKR 100/- each
Preperpetual or Dated	N/A	N/A	dated	dated	dated	dated
Original Maturity Date, If Applicable	N/A	N/A	15th July 2023	29th March 2023, 29th March 2025 and 29th March 2028	18th April 2024	12th April 2026
Amount Recognised in Regulatory Capital (in '000 as at the Reporting Date)	12,314,065	7,612,388	327,575	2,126,250	1,250,000	3,900,000
Accounting Classification (Equity / Liability)	Equity	Equity	Liability	Liability	Liability	Liability
Issuer call subject to prior Supervisory Approval						
Optional Call Date, Contingent Call Dates and Redemption Amount (LKR '000)	N/A	N/A	N/A	N/A	N/A	N/A
Subsequent Call Dates, If Applicable	N/A	N/A	N/A	N/A	N/A	N/A
Coupons/Dividends						
Fixed or Floating Dividend /Coupon	Dividend as decided by the Board annually	Dividend as decided by the Board annually	Fixed interest rate	Fixed interest rate	Fixed interest rate	Fixed interest rate
Coupon Rate and any Related Index	As decided by the Board	As decided by the Board	Semi-Annual Interest - 13.75% p.a. (for 7 years)	Semi-Annual Interest - 12.85% p.a. (for 5 years), Semi-Annual Interest - 13.20% (for 7 years), Semi-Annual Interest - 13.50% p.a. (for 10 years)	Semi-Annual Interest - 14.5% p.a., Annual Interest - 15.0% p.a.	Annual Interest - 9.75% p.a., Quarterly Interest - 9.25% p.a.
Non-Cumulative or Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or Non-Convertible	Non-Convertible	Non-Convertible	Non-Convertible	Convertible	Convertible	Convertible
If Convertible, Conversion Trigger (s)				Convertible in the event of a "Trigger Event" in terms of the Banking Act Direction No.1 of 2016	Convertible in the event of a "Trigger Event" in terms of the Banking Act Direction No.1 of 2016	Convertible in the event of a "Trigger Event" in terms of the Banking Act Direction No.1 of 2016

Description of the Capital Instrument	Ordinary Voting Shares	Ordinary Non-Voting Shares	Debenture Issue - 2016 (7 years)	Debenture Issue - 2018 (5 years, 7 years & 10 years)	Debenture Issue - 2019 (5 years)	Debenture Issue - 2021 (5 years)
If Convertible, Fully or Partially				When determined a 'Trigger Event' at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka	When determined a 'Trigger Event' at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka	When determined a 'Trigger Event' at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka
If Convertible, Mandatory or Optional				Mandatory in the event of a 'Trigger Event'	Mandatory in the event of a 'Trigger Event'	Mandatory in the event of a 'Trigger Event'
If Convertible, Conversion Rate				Simple average of the daily Volume Weighted Average Price of an Ordinary Voting Share of the Bank (as published by the Colombo Stock Exchange) during the three (03) months period immediately preceding the Trigger Event, as determined by the Monetary Board.	Simple average of the daily Volume Weighted Average Price of an Ordinary Voting Share of the Bank (as published by the Colombo Stock Exchange) during the three (03) months period immediately preceding the Trigger Event, as determined by the Monetary Board.	Simple average of the daily Volume Weighted Average Price of an Ordinary Voting Share of the Bank (as published by the Colombo Stock Exchange) during the three (03) months period immediately preceding the Trigger Event, as determined by the Monetary Board.

Managing other Risks

Legal Risk

Legal risk is the risk of financial or reputational loss that could arise from failure to comply with statutory and regulatory requirements, internal policies, prescribed best practices, lack of awareness, uncertainty of the outcome of all litigation and probable adverse consequences resulting from deficient documentation.

The Bank manages these legal risks effectively having proper monitoring and controls in all business and supporting areas. Further, through the Legal Department all contracts and security documentation are legally vetted taking into consideration the applicable laws and regulations. Interpretation of provisions of statutes that may be applicable is referred to the Legal Department by the business lines, thus minimising the risk of non-compliance with laws and regulations.

Compliance Risk

The Compliance Department is entrusted with the responsibility of safeguarding the Bank from potential losses, financial or otherwise, that may arise due to the Bank's failure to comply with laws, regulations, rules, or self-regulated organisational standards applicable to the Bank's operations. Accordingly, the key focus areas of the compliance function are:

- Legal and Regulatory Compliance
- Anti-Money Laundering/ Financial Crime Compliance
- Corporate Governance

The Compliance Department functions as a key working committee focusing and ensuring long-term success and sustainability of the Bank via an improved compliance culture.

The Compliance Department closely liaises with the BIRMC, its direct reporting line, while performing its responsibilities. Periodic communication to the Board of Directors is also undertaken for

necessary updates and obtaining additional advice.

The Bank's corporate culture and ethics related matters are specifically dealt by two dedicated Board sub-committees:

- Board Governance and Compliance Committee
- Related Party Transactions Review Committee

Strategic Risk

Strategic risk is the possibility of current and prospective impact on earnings or capital arising from adverse strategic decisions, improper and incomplete implementation of strategic initiatives or lack of agility to the changes in the external environment.

The Corporate Management and the Board of Directors are responsible for leading the Bank on the right strategic direction while selecting the most suitable strategic choices, aligned to the Bank's vision and mission. Minimising the adverse impact arising from making the specious strategic

RISK MANAGEMENT

directions and strategic choices is an integral part of the Strategic Risk Management of the Bank.

In pursuing the Bank's strategic goals and business objectives, the Bank has established a solid governance structure to ensure the effectiveness of the strategies subsequent to implementation. KPI's are developed to measure the effectiveness and efficiency of strategic initiatives. The Bank has established clear communication channels at all levels of the organisation, allocated systems for efficient operations of business lines / banking activities and enhanced employee capabilities through training and development and recognition programmes to ensure better accountability in achieving strategic objectives.

Reputational Risk

Reputational risk arises from the loss caused by adverse perception of Seylan Bank PLC by the public, shareholders, investors, customers, regulators and other internal and external stakeholders, which can adversely impact earnings, value of assets and liabilities, capital position and the brand value.

As risk mitigating actions, the Bank has established sound policies and procedures such as customer complaint management, whistle-blowing policy to maintain the goodwill in a positive manner. The Bank has established a well-structured customer complaint management process to provide solutions to customers on a 24x7 basis.

The Bank also recognises the importance of making a positive contribution to the society by promoting Corporate Social Responsibility (CSR) through ethical banking practices, environmental awareness and contribution to the community. Accordingly, the Bank has in place a Board Sustainability Committee which guides and monitors the progress of CSR contribution and its effectiveness.

Environmental and Social Risk (E & S Risk)

E & S Risks entail as a result of unmanaged E & S Risks if any prevalent in the corporate and SME entities or bodies to which the Bank has availed finance without carrying out proper environmental and social impact assessment and exercising appropriate E & S due diligence whereby such E & S risks may trigger impact to the bank by way of credit, collateral, reputational, legal and other related risks which can adversely impact earnings, quality of assets, capital position and brand equity. The Bank has developed an ESMS Policy and Procedures together with checklists amalgamated with the Credit Policy and other relevant policies of the Bank in line with the lending guidelines all of which are reviewed from time-to time as means of ensuring transparency, compliance and Environmental and Social Governance frameworks.

Approaches in Risk Management in the Current Economic Context

The Bank understands the current economic instability in the country which has triggered the possibilities of a Domestic Debt Restructuring (DDR), where the Government Securities could be subject to a plausible DDR.

As a result, the Bank has adopted a proactive approach to assess the possible outcome due to DDR and has developed several stress tests to assess the impact on the Banks liquidity and Capital under various plausible scenarios.

In addition, the Bank has accounted an additional expected credit loss for the foreign currency denominated debt instruments issued by the Government of Sri Lanka, considering the impact on the interim policy regarding the servicing of Sri Lanka's external public debt.

Further, the Bank closely monitors all external placements and Swaps done with local and foreign counter-parties. In addition, Trading and Money Market Limits of certain counter-parties have been significantly curtailed, due to rating downgrades as well as due to country risk rating down grades, taking into consideration the possible settlement risk the Bank may have to face when dealing with such counter-parties.

Sustainable Results

Financial Calendar

Financial Calendar – 2022

	Released to the Colombo Stock Exchange (CSE)
Interim Financial Statements (Audited) for the 4th Quarter/Year ended 31st December 2021	23 February 2022
Final Audited Financial Statements for the Year ended 31st December 2021 and Annual Report – 2021	4 March 2022
1st Quarter/Three months ended 31 March 2022	11 May 2022
2nd Quarter/Six months ended 30 June 2022	10 August 2022
3rd Quarter/Nine months ended 30 September 2022	11 November 2022
35th Annual General Meeting (AGM)	Held on Wednesday, 30 March 2022 at 11.30 a.m. conducted on-line (virtual platform) hosted from Seylan Bank Head Office, 'Seylan Towers', No. 90, Galle Road, Colombo 03.
First and Final Ordinary Dividend for the year ended 31st December 2021	Scrip dividend of LKR 3.00 per share

The Interim Financial Statements were also published in the newspapers as per the requirements of the Central Bank of Sri Lanka.

Proposed Financial Calendar – 2023

		Proposed Date
Interim Financial Statements for the 4th Quarter/Year ended 31st December 2022	To be released to the Colombo Stock Exchange (CSE)	In February 2023
Final Audited Financial Statements for the Year ended 31st December 2022 and Annual Report 2022	To be released to the CSE	Before 8 March 2023
36th Annual General Meeting (AGM)	Scheduled to be held at Bougainvillea Hall, Galadari Hotel, No. 64, Lotus Road, Colombo 01.	On Thursday, 30 March 2023 at 10.30 a.m.
First and Final Ordinary Dividend For the year ended 31st December 2022	Subject to the approval of the shareholders at the AGM	In April 2023 (as per the Rules of the CSE)
Interim (unaudited or audited) Financial Statements	Statements in respect of the four quarters of 2023 will be released as per the Rules of the CSE and will be published in the newspapers as per the requirements of the Central Bank of Sri Lanka.	

Statement of Directors' Responsibility for Financial Reporting

The Statement of Responsibility of the Directors of Seylan Bank PLC ("Bank") in relation to the Financial Statements of the Bank and the Consolidated Financial Statements of the Group is set out in this Report in terms of the provisions of the Companies Act No. 07 of 2007 (the Act) and the Banking Act Direction No. 11 of 2007 (as amended).

The Directors of the Bank ensure that the Bank maintains proper books of account of all its transactions so as to enable the financial position of the Bank to be determined with reasonable accuracy at any time, enable the preparation of Financial Statements of the Bank in accordance with the Act and enable the Financial Statements of the Bank to be readily and properly audited.

Confirmation of Directors' responsibility

The Directors of Seylan Bank PLC confirm that to the best of their knowledge:

- The Financial Statements prepared and published on pages 165 to 270 of this Annual Report in terms of Sections 150 (1), 151 (1), 152 (1) and 153 (1) of the Companies Act, give a true and fair view of the state of affairs of the Bank and the Group and the profit for the year ended 31st December 2022;
- The Financial Statements for the year ended 31st December 2022 presented in this Annual Report are consistent with the underlying books of account of the Bank and are in conformity with the Sri Lanka Accounting Standards (SLFRS/LKAS), Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Banking Act No. 30 of 1988 (as amended), Directions and Guidelines of the Central Bank of Sri Lanka, the Listing Rules of the Colombo Stock Exchange, and the Code of Best Practice on Corporate Governance (2017) published by the Institute of Chartered Accountants of Sri Lanka;
- In preparing the Financial Statements for the year ended 31st December 2022, appropriate accounting policies, judgements and estimates have been considered and applied on a consistent basis with material departures if any disclosed in the Financial Statements together with the rationale for same;

- Proper books of account have been maintained and have also taken reasonable steps to ensure the accuracy and reliability of accounting records.

The Directors further confirm that:

- The financial reporting system was reviewed by the Board through the management accounts submitted monthly at Board Meetings. The Bank's Interim and Audited Financial Statements were also reviewed by the Board Audit Committee and the Board prior to the said statements being released and published.
- The Financial Statements of the Bank and the Group have been certified by the Bank's Chief Financial Officer, the person responsible for their preparation and signed on behalf of the Board of Directors by two Directors of the Bank on 22 February 2023.

External Auditors' reviews and opinions

The Bank's Auditors, M/s KPMG was engaged to carry out reviews and sample checks on the effectiveness of the systems of internal control as they consider appropriate and necessary in providing their opinion on the Financial Statements. M/s KPMG have examined the Financial Statements made available together with all other financial records, Minutes of Meetings of the Board and the Board Subcommittees and related information and have expressed their opinion which appears on page 160 of this Annual Report.

Internal control mechanism over financial reporting

The Board is also responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Bank's assets and ensure continuity of operations. To this end, the Board has identified principal risks and implemented a system to continually assess such risks and established an appropriate control environment for ensuring proper monitoring of effectiveness of internal controls and correction of deficiencies.

The Board's Statement on the effectiveness of the Bank's internal control mechanism over financial reporting, prepared in accordance with the Guidelines issued by the Institute

of Chartered Accountants of Sri Lanka and in compliance with Section 3(8) (ii)(b) of the Banking Act Direction No. 11 of 2007 (as amended) is published on pages 119 to 120 and Bank's Independent Auditors' Report on our assessment of Bank's internal controls over financial reporting is published on page 121 of this Annual Report.

Solvency

The Board of Directors confirm that they have authorized the distribution of the proposed dividend having been satisfied that the Bank would meet the solvency test in terms of the provisions of Section 56(2) of the Companies Act No. 07 of 2007 immediately after the proposed dividend payment. The Board has obtained a statement of solvency from the External Auditors which confirm that the Bank satisfy the solvency as per Section 57 of the Companies Act.

The Directors confirm that to the best of their knowledge and belief, all statutory payments due and payable to all statutory and regulatory authorities as at the Reporting date, have been paid by the Bank and its subsidiary or where relevant provided for.

Going concern

The Directors further confirm that having considered the financial position, operating conditions, regulatory and other factors and such other matters required to be addressed in the 'Code of Best Practice on Corporate Governance' issued by the CA Sri Lanka and the heightened uncertainty relating to the macro-economic conditions prevailing in the country, the Bank and the Subsidiary, have adequate resources to continue the operations of the Bank and the Group in the foreseeable future. Accordingly the Financial Statements of the Bank and the Group have been prepared on a going concern basis.

The Directors are of the view that they have discharged their obligations as set out in this statement.

By Order of the Board of Directors



(Ms) Saraswathie Poulraj
Company Secretary

22 February 2023
Colombo

Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

The Financial Statements of Seylan Bank and the Group for the year ended 31st December 2022 are prepared in compliance with the requirements of the Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by The Institute of Chartered Accountants of Sri Lanka, the requirements of the Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Banking Act No. 30 of 1988 and amendments thereto and the Directions, Determinations and Guidelines issued by the Central Bank of Sri Lanka (CBSL), the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka. The formats used in the Financial Statements and disclosures are in conformity with the specified formats prescribed by the CBSL, which are also in compliance with the disclosure requirements of the Sri Lanka Accounting Standard - LKAS 1 (Presentation of Financial Statements).

The significant Accounting Policies and Estimates that involved a high degree of judgment and complexity were discussed with the External Auditors and the Board Audit Committee.

The Board of Directors and Management of the Bank accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and reasonably present the Company's state of affairs. To ensure this, the Bank has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities,

which are reviewed, evaluated and updated on an ongoing basis. Our Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Bank were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting. We continue to adopt the 'Going Concern' basis in preparing the Financial Statements, since there are reasonable grounds to believe that the Group has adequate resources to continue in operation.

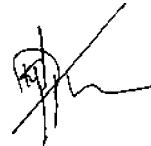
The Financial Statements of the Bank and the Group were audited by Messrs. KPMG, Chartered Accountants, and their report is given on pages 160 to 164 of this Annual Report. The Audit Committee of the Bank meets periodically with the Internal Auditors and the External Auditors to review the manner in which these Auditors are performing their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

The Audit Committee pre-approves the audit and non-audit services provided by Messrs. KPMG in order to ensure that the provision of such services does not impair Messrs. KPMG's independence.

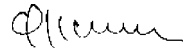
It is also declared and confirmed that the Bank has complied with and ensured compliance by the Auditors with the guidelines for the audit of listed companies, where mandatory compliance is required. It is further confirmed that all the other guidelines have been complied with.

We confirm that the Bank and its Subsidiary have complied with all applicable laws, regulations and guidelines and there are no material litigations against the Group, other than those disclosed in Note 48 of the Financial Statements in this Annual Report.

Taxes, duties, levies and all statutory payments payable by the Bank and its Subsidiary as at 31st December 2022 have been paid, or where relevant provided for.



Mr K P Ariyaratne
Director/ Chief Executive Officer



Ms Champika Dodanwela
Chief Financial Officer

22nd February 2023
Colombo

Independent Auditor's Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
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TO THE SHAREHOLDERS OF SEYLAN BANK PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Seylan Bank PLC ("the Bank") and the consolidated financial statements of the Bank and its subsidiary ("the Group"), which comprise the statement of financial position as at 31st December 2022, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 165 to 270 of this Annual Report.

In our 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 31st December 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka ("Code of Ethics") that are relevant

to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Bank's financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Bank's financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowances for Expected Credit Losses

Refer to Note 3 (Use of Estimates and Judgements), Note 5.4.5 (Impairment) and Note 25 (Financial assets measured at amortized cost - loans and advances) to these financial statements

Risk Description

As disclosed in Note 25 to these financial statements, the Bank has recorded financial assets measured at amortized cost against loans and advances to customers, of LKR 490,432 Mn as at 31st December 2022. High degree of complexity and judgment are involved in estimating Expected Credit Loss (ECL) for the Bank LKR 46,212 Mn ; as at the reporting date.

Allowance for expected credit losses (ECL) is a key audit matter due to the significance of the loans and receivables balance to the financial statements and the inherent complexity of the Bank's ECL models used to measure ECL allowances. These models to determine the ECL include significant judgement in assumptions used to determine when a significant increase in credit risk (SICR) has occurred, impact of multiple macroeconomic scenarios, applying a probability weighting to different scenarios and identifying and calculating adjustments to model output (post model adjustments).

Our Responses

Our audit procedures to assess the allowances for ECL included the following:

Testing key controls of the Bank in relation to:

- Reconciliation of the data used in the ECL calculation process to gross balances recorded within the general ledger as well as source systems;
- IT system controls which record loans days past due, and non-performing loan classification.

Assessing impairment for individually significant customers

Selecting a sample (based on quantitative thresholds) of larger customers where impairment indicators have been identified by management and assessed as higher risk or impaired, and a sample of other loans, focusing on larger exposures assessed by the Bank as showing signs of deterioration, or in areas of emerging risk (assessed against external market conditions and in particular considering the potential implications of prevailing economic conditions).



Allowances for Expected Credit Losses

Refer to Note 3 (Use of Estimates and Judgements), Note 5.4.5 (Impairment) and Note 25 (Financial assets measured at amortized cost - loans and advances) to these financial statements

Risk Description	Our Responses
<p>SLFRS 9 Financial Instruments requires the Bank to measure ECLs on a forward-looking basis reflecting a range of economic conditions. Post-model adjustments are made by the Bank to address known ECL model limitations or emerging trends in the loan portfolios. We exercise significant judgement in challenging the economic scenarios used and the judgmental post-model adjustments the Bank applies to the ECL results.</p>	<p>Obtaining management's assessment of the recoverability of these exposures (including individual impairment calculations) and assessed whether individual impairment provisions, or lack of, were appropriate.</p>
<p>Additional subjectivity and judgement have been introduced into the Bank's measurement of ECL due to the heightened uncertainty</p>	<p>This included the following procedures</p>
<p>associated with the impact of the economic outlook to the Bank's customers, increasing our audit effort thereon.</p>	<ul style="list-style-type: none"> ● Evaluating management's assessment of recoverability of the forecasted cash flows by comparing them to the historical performance of the customers, their financial position and the expected future performance where applicable; ● Assessing external collateral valuer's credentials and comparing external valuations to values used in management's impairment assessments, forecasted timing of future cash flows in the context of underlying valuations and approved business plans and challenging key assumptions in the valuations;
<p>The Bank's criteria selected to identify a SICR are key areas of judgement within the Bank's ECL methodology as these criteria determine if a forward-looking 12 month or lifetime allowance is recorded.</p>	<ul style="list-style-type: none"> ● Exercising our judgment, our procedures included using our understanding of relevant industries and the macroeconomic environment and comparing with the data and assumptions used by the Bank in recoverability assessment. Where relevant we assessed the forecast timing of future cash flows in the context of underlying valuations, and business plans and evaluating the key assumptions in the valuations;
<p>Additionally, allowances for individually significant loans exceeding specific thresholds are individually assessed by the Bank. We exercise significant judgment in evaluating the assessment of specific allowances based on the expected future cash repayments and estimated proceeds from the value of the collateral held by the Bank in respect of the loans.</p>	<ul style="list-style-type: none"> ● Testing the implementation of the Bank's SICR methodology by re-performing the staging calculation for a sample of loans; ● For a sample of customer loans which were not identified as displaying indicators of impairment by management, we reassessed the conclusions made by the management by reviewing the historical performance of the customers and form our own view whether any impairment indicators were present.
<p>The disclosures regarding the Bank's application of SLFRS 9 are key to explaining the key judgements and material inputs to the SLFRS 9 ECL results.</p>	<p><i>Assessing the adequacy of collectively assessed provisions</i></p>
	<p>We tested key controls of the Bank in relation to:</p>
	<ul style="list-style-type: none"> ● Obtaining an understanding of the Bank's processes to determine ECL allowances, evaluating the Bank's ECL model methodologies against established market practices and criteria in the accounting standards; ● The assessment and approval of the forward-looking macroeconomic assumptions and scenario weightings, trends in the credit risk concentration of specific portfolios and our understanding of economic conditions. As part of this work, we assessed the reasonableness of the Bank's considerations of the uncertainty relating to key economic indicators.
	<p>In addition to controls testing, our procedures included;</p>
	<ul style="list-style-type: none"> ● Working with our Financial Risk Management (FRM) specialist; in

Independent Auditor's Report



Allowances for Expected Credit Losses

Refer to Note 3 (Use of Estimates and Judgements), Note 5.4.5 (Impairment) and Note 25 (Financial assets measured at amortized cost - loans and advances) to these financial statements

Risk Description	Our Responses
	<ul style="list-style-type: none"> ● Challenging the Bank's forward-looking macro-economic assumptions and scenarios incorporated in the ECL models by comparing the economic factors used to relevant publicly available macro-economic information, to identify contradictory indicators ● Evaluating and challenging the key assumptions in the components of the Bank's post-model adjustments to the ECL allowance balance. This included assessing the requirement for additional allowances considering the Bank's ECL model and data limitations identified by the Bank's ECL model validation processes, particularly in light of the extreme volatility in economic scenarios caused by the prevailing economic conditions; ● Assessing the ongoing effectiveness of the SICR criteria and independently calculating the loans' stage to determine whether a SICR event had occurred; ● Assessing the completeness of additional allowance overlays by checking the consistency of risks we identified in the loan portfolios against the Bank's assessment; ● Evaluating the approach taken by the management in identifying the risk elevated sectors and assessing the current market conditions and specific risks in of the Bank's loan portfolios due to exposure to risk elevated sectors;
	<p><i>Assessing the adequacy of post model adjustments</i></p> <p>We challenged key assumptions in the components of the Bank's post-model adjustments to the ECL allowance balance.</p> <p>This included:</p> <ul style="list-style-type: none"> ● Assessing post-model adjustments against the Bank's ECL model and data deficiencies identified by the Bank's ECL model validation processes, particularly in light of the significant volatility in economic scenarios; ● Comparing underlying data used in concentration risk and economic cycle allowances to underlying loan portfolio characteristics of recent loss experience, current market conditions and exposure to risk elevated sectors in the Bank's loan portfolios; ● Assessing certain post-model adjustments identified by the Bank against internal and external information; ● Assessing the completeness of post-model adjustments by checking the consistency of risks we identified in the loan portfolios against the Bank's assessment. <p>We also assessed the appropriateness of the related disclosures in the financial statements using our understanding obtained from our testing and against the requirements of Sri Lanka Accounting Standards.</p>



IT systems and controls over financial reporting

Risk Description	Our Responses
<p>The Bank businesses utilize many complex, interdependent Information Technology (IT) systems to process and record a high volume of transactions. The controls over access, changes to and operation of IT systems are key to the recording of financial information and the preparation of financial statements which provide a true and fair view of the Bank's financial position and performance.</p>	<p>We worked with our internal IT specialists to perform audit procedures to test the technology control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger. We also tested automated controls embedded within these systems which link the technology-enabled business processes.</p>
<p>The IT systems and controls, as they impact the recording and reporting of financial transactions, is a key audit matter as our audit approach could significantly differ depending on the effective operation of the Bank's IT controls.</p>	<p>Our further audit procedures included:</p> <p><i>General IT controls design, observation and operation</i></p> <ul style="list-style-type: none"> Assessing the governance and higher-level controls in place across the IT Environment, including those regarding policy design, review and awareness, and IT Risk Management practices; Obtaining an understanding and testing operating effectiveness of the sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, monitor system integrity, program development and computer operations; Data integrity of critical system reporting used by us in our audit to select samples and analyze data used by management to generate Financial statements. <p><i>Application controls</i></p> <ul style="list-style-type: none"> On sample basis, re-performed selected automated computations and compared our results with those from the system and the general Ledger. <p><i>User access controls operation</i></p> <ul style="list-style-type: none"> Assessing the management's evaluation of access rights granted to applications relevant to financial accounting and reporting systems and; Evaluate the design and operating effectiveness of IT controls, including those related to user access and change management. Assessing the operating effectiveness of controls over granting, removal and appropriateness of access rights.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the

other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our 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 our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report



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 determines 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs 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 SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance

of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Bank.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is FCA 2294.

Chartered Accountants
Colombo, Sri Lanka

22 February 2023

Income Statement

For the Year ended 31st December	Note	Bank			Group		
		2022	2021	Change	2022	2021	Change
		LKR '000	LKR '000	%	LKR '000	LKR '000	%
Gross Income	7	96,817,975	54,767,049	76.78	96,836,414	54,750,691	76.87
Interest Income		86,068,611	46,770,415	84.02	86,106,337	46,781,204	84.06
Less : Interest Expenses		45,526,649	23,181,313	96.39	45,219,220	22,877,295	97.66
Net Interest Income	8	40,541,962	23,589,102	71.87	40,887,117	23,903,909	71.05
Fee and Commission Income		6,697,136	4,784,698	39.97	6,697,059	4,784,426	39.98
Less : Fee and Commission Expenses		235,118	143,498	63.85	235,852	143,950	63.84
Net Fee and Commission Income	9	6,462,018	4,641,200	39.23	6,461,207	4,640,476	39.24
Net Gains/(Losses) from Trading	10	(446,958)	(219,044)	(104.05)	(446,958)	(217,844)	(105.17)
Net Gains from Derecognition of Financial Assets	11	34,149	553,425	(93.83)	34,149	553,425	(93.83)
Net Other Operating Income	12	4,465,037	2,877,555	55.17	4,445,827	2,849,480	56.02
Total Operating Income		51,056,208	31,442,238	62.38	51,381,342	31,729,446	61.94
Less : Impairment Charges	13	26,433,076	10,421,913	153.63	26,433,076	10,421,913	153.63
Net Operating Income		24,623,132	21,020,325	17.14	24,948,266	21,307,533	17.09
Less : Operating Expenses	14						
Personnel Expenses	15	7,964,096	6,909,703	15.26	8,007,403	6,945,931	15.28
Depreciation and Amortisation Expenses		1,357,915	1,429,469	(5.01)	1,416,379	1,479,466	(4.26)
Other Expenses		5,898,226	4,718,565	25.00	5,953,791	4,762,644	25.01
Total Operating Expenses		15,220,237	13,057,737	16.56	15,377,573	13,188,041	16.60
Operating Profit before Taxes		9,402,895	7,962,588	18.09	9,570,693	8,119,492	17.87
Less : Value Added Tax on Financial Services		2,646,792	1,934,812	36.80	2,646,792	1,934,812	36.80
Less : Social Security Contribution Levy		127,243	-	100.00	127,243	-	100.00
Profit before Income Tax		6,628,860	6,027,776	9.97	6,796,658	6,184,680	9.90
Less : Income Tax Expense	16	1,916,597	1,447,236	32.43	2,218,888	1,449,010	53.13
Profit for the Year		4,712,263	4,580,540	2.88	4,577,770	4,735,670	(3.33)
Profit Attributable to:							
Equity Holders of the Bank		4,712,263	4,580,540	2.88	4,574,359	4,653,003	(1.69)
Non-controlling Interest		-	-	-	3,411	82,667	(95.87)
Profit for the Year		4,712,263	4,580,540	2.88	4,577,770	4,735,670	(3.33)
Basic/Diluted Earnings per Share (LKR)	17	8.16	7.93	2.90	7.92	8.05	(1.61)

Notes on pages 174 to 270 form an integral part of these Financial Statements.

Statement of Profit or Loss and Other Comprehensive Income

For the Year ended 31st December	Note	Bank			Group		
		2022 LKR '000	2021 LKR '000	Change %	2022 LKR '000	2021 LKR '000	Change %
Profit for the Year		4,712,263	4,580,540	2.88	4,577,770	4,735,670	(3.33)
Other Comprehensive Income, net of Tax							
Items that are or may be reclassified to Income Statement in Subsequent Periods							
Net Movement of Cash Flow Hedge Reserve	46.5	84,246	(77,485)	208.73	84,246	(77,485)	208.73
Net Losses on Investments in Debt Instruments measured at Fair Value through Other Comprehensive Income	46.4	(1,633,614)	(2,884,037)	43.36	(1,644,580)	(2,880,457)	42.91
Deferred Tax effect Relating to Items that are or may be reclassified to Income Statement	34	392,856	790,071	(50.28)	394,591	789,713	(50.03)
Items that will never be reclassified to Income Statement in Subsequent Periods							
Net Change in Fair Value on Investments in Equity Instruments measured at Fair Value through Other Comprehensive Income	46.4	(1,220,234)	436,898	(379.29)	(1,220,234)	436,898	(379.29)
Revaluation of Property, Plant and Equipment	46.2	-	748,182	(100.00)	(20,148)	800,032	(102.52)
Actuarial Losses on Defined Benefit Obligations	43.1.8	(222,236)	(390,122)	43.03	(220,656)	(390,919)	43.55
Deferred Tax Effect Relating to Items that will never be reclassified to Income Statement	34	(125,416)	(144,527)	13.22	(119,682)	(156,881)	23.71
Other Comprehensive Income for the Year, net of Tax		(2,724,398)	(1,521,020)	(79.12)	(2,746,463)	(1,479,099)	(85.68)
Total Comprehensive Income for the Year		1,987,865	3,059,520	(35.03)	1,831,307	3,256,571	(43.77)
Total Comprehensive Income Attributable to:							
Equity Holders of the Bank		1,987,865	3,059,520	(35.03)	1,834,403	3,161,541	(41.98)
Non-controlling Interest		-	-	-	(3,096)	95,030	(103.26)
Total Comprehensive Income for the Year		1,987,865	3,059,520	(35.03)	1,831,307	3,256,571	(43.77)

Notes on pages 174 to 270 form an integral part of these Financial Statements.

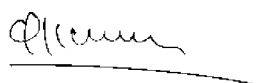
Statement of Financial Position

As at 31st December	Note	Bank			Group		
		2022	2021	Change	2022	2021	Change
		LKR '000	LKR '000	%	LKR '000	LKR '000	%
Assets							
Cash and Cash Equivalents	20	40,254,514	16,079,054	150.35	40,254,554	16,079,094	150.35
Balances with Central Bank of Sri Lanka	21	16,784,172	8,725,834	92.35	16,784,172	8,725,834	92.35
Placements with Banks and Finance Companies	22	1,819,036	8,246,909	(77.94)	1,819,036	8,246,909	(77.94)
Derivative Financial Instruments	23	519,189	290,141	78.94	519,189	290,141	78.94
Financial Assets recognised through Profit or Loss							
- Measured at Fair Value	24	17,781,867	4,969,913	257.79	17,781,867	4,969,913	257.79
- Designated at Fair Value		-	-	-	-	-	-
Financial Assets at Amortised Cost							
- Loans and Advances	25	444,219,508	441,976,662	0.51	444,219,508	441,976,662	0.51
- Debt and Other Instruments	26	106,158,878	67,992,449	56.13	106,429,752	68,156,417	56.16
Financial Assets measured at Fair Value through Other Comprehensive Income	27	17,136,286	39,104,536	(56.18)	17,186,183	39,165,399	(56.12)
Investment in Subsidiary	28	1,153,602	1,153,602	-	-	-	-
Group Balances Receivable	29	64,435	40,000	61.09	-	-	-
Property, Plant and Equipment	30	3,770,541	4,289,917	(12.11)	6,462,909	7,063,747	(8.51)
Right-of-use Assets	31	4,882,318	4,791,175	1.90	2,722,569	2,594,737	4.93
Investment Properties	32	-	-	-	886,680	870,258	1.89
Intangible Assets	33	510,146	592,894	(13.96)	510,146	592,894	(13.96)
Deferred Tax Assets	34	3,242,641	-	100.00	2,684,538	-	100.00
Other Assets	35	14,508,511	9,323,825	55.61	14,574,073	9,358,128	55.74
Total Assets		672,805,644	607,576,911	10.74	672,835,176	608,090,133	10.65
Liabilities							
Due to Banks	36	12,158,030	24,504,387	(50.38)	12,158,030	24,504,387	(50.38)
Derivative Financial Instruments	23	906,813	217,179	317.54	906,813	217,179	317.54
Financial Liabilities at Amortised Cost							
- Due to Depositors	37	547,315,755	488,653,328	12.00	547,315,755	488,653,328	12.00
- Due to Debt Securities Holders	38	11,944,370	2,662,377	348.64	11,944,370	2,662,377	348.64
- Due to Other Borrowers	39	7,483	7,295	2.58	7,483	7,295	2.58
Group Balances Payable	40	202,382	191,810	5.51	-	-	-
Debt Securities Issued	41	21,617,455	21,617,455	-	21,617,455	21,617,455	-
Current Tax Liabilities	42	5,128,484	1,623,966	215.80	5,179,000	1,611,832	221.31
Deferred Tax Liabilities	34	-	257,574	(100.00)	-	582,395	(100.00)
Lease Liabilities	31	5,101,247	4,889,598	4.33	2,254,558	2,007,245	12.32
Other Liabilities	43	13,973,327	10,898,933	28.21	13,985,243	10,939,813	27.84
Total Liabilities		618,355,346	555,523,902	11.31	615,368,707	552,803,306	11.32
Equity							
Stated Capital	44	19,926,453	18,323,882	8.75	19,926,453	18,323,882	8.75
Statutory Reserve Fund	45	2,568,162	2,332,549	10.10	2,568,162	2,332,549	10.10
Retained Earnings		31,063,994	29,196,617	6.40	31,697,936	29,967,349	5.77
Other Reserves	46	891,689	2,199,961	(59.47)	2,009,510	3,334,454	(39.73)
Total Equity Attributable to Equity Holders of the Bank		54,450,298	52,053,009	4.61	56,202,061	53,958,234	4.16
Non-controlling Interest	28.1	-	-	-	1,264,408	1,328,593	(4.83)
Total Equity		54,450,298	52,053,009	4.61	57,466,469	55,286,827	3.94
Total Equity and Liabilities		672,805,644	607,576,911	10.74	672,835,176	608,090,133	10.65
Contingent Liabilities and Commitments	47	167,641,150	224,389,878	(25.29)	167,642,941	224,389,963	(25.29)
Net Asset Value per Share (LKR)		94.24	97.44	(3.28)	97.27	101.01	(3.70)
Memorandum Information							
No. of Employees		3,156	3,148	0.25	3,175	3,167	0.25
No. of Banking Centres		171	171	-	171	171	-

Notes on pages 174 to 270 form an integral part of these Financial Statements.

Certification

The Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



Champika Dodanwela (Ms.)
Chief Financial Officer

Approved and signed for and on behalf of the Board.



W.M.R.S. Dias
Chairman



Kapila Ariyaratne
Director/Chief Executive Officer

22nd February 2023
Colombo

Statement of Changes in Equity

Bank

For the Year ended 31st December	Note	Stated Capital	
		Ordinary Shares - Voting LKR '000	Ordinary Shares- Non Voting LKR '000
1 Balance as at 01st January 2021		11,136,187	6,412,160
Total Comprehensive Income for the Year			
Profit for the Year		-	-
Other Comprehensive Income (net of tax)			
- Revaluation of Property, Plant and Equipment	46.2	-	-
- Actuarial Losses on Defined Benefit Obligations	43.1.8	-	-
- Net Losses on Investments in Debt Instruments measured at Fair Value through Other Comprehensive Income	46.4	-	-
- Net Change in Fair Value on Investments in Equity Instruments measured at Fair Value through Other Comprehensive Income	46.4	-	-
- Net Movement of Cash Flow Hedge Reserve	46.5	-	-
2 Total Comprehensive Income for the Year		-	-
Transactions with Equity Holders , Recognised Directly In Equity			
Scrip Dividend to Equity Holders	18	385,076	390,459
Unclaimed Dividend Absorbed/(Dividend Paid) in respect of Previous Years		-	-
Reversal of Revaluation on Disposed Property, Plant and Equipment	46.2	-	-
Transferred to Statutory Reserve Fund*	45	-	-
Transferred from Investment Fund Reserve	46.6	-	-
Net Gains on Disposal of Equity Investments measured at Fair Value through Other Comprehensive Income	46.4	-	-
3 Total Transactions with Equity Holders		385,076	390,459
Balance as at 31st December 2021 (1 + 2 + 3)		11,521,263	6,802,619
1 Balance as at 01st January 2022		11,521,263	6,802,619
Surcharge Tax		-	-
2 Restated Balance as at 01st January 2022		11,521,263	6,802,619
Total Comprehensive Income for the Year			
Profit for the Year		-	-
Other Comprehensive Income (net of tax)			
- Actuarial Losses on Defined Benefit Obligations	43.1.8	-	-
- Net Losses on Investments in Debt Instruments measured at Fair Value through Other Comprehensive Income	46.4	-	-
- Net Change in Fair Value on Investments in Equity Instruments measured at Fair Value through Other Comprehensive Income	46.4	-	-
- Net Movement of Cash Flow Hedge Reserve	46.5	-	-
- Deferred Tax Impact on Tax Rate Change	46.2	-	-
3 Total Comprehensive Income for the Year		-	-
Transactions with Equity Holders , Recognised Directly In Equity			
Scrip Dividend to Equity Holders	18	792,802	809,769
Unclaimed Dividend Absorbed/(Dividend Paid) in respect of Previous Years		-	-
Transferred to Statutory Reserve Fund*	45	-	-
Transferred from Investment Fund Reserve	46.6	-	-
Net Gains on Disposal of Equity Investments measured at Fair Value through Other Comprehensive Income	46.4	-	-
Reclassification of Debt Instruments measured at Fair Value through Other Comprehensive Income	46.4	-	-
4 Total Transactions with Equity Holders		792,802	809,769
Balance as at 31st December 2022 (2 + 3 + 4)		12,314,065	7,612,388

* Statutory Reserve Fund represents the statutory requirement in terms of the Section 20(1) and (2) of the Banking Act No. 30 of 1988 (5% of net profit after tax).

** FVOCI Reserve - Fair Value through Other Comprehensive Income Reserve

Notes on pages 174 to 270 form an integral part of these Financial Statements.

Statutory Reserve Fund *	Retained Earnings	Other Reserves			Total
		Revaluation Reserve	FVOCI Reserve **	Other Reserves	
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
2,103,522	24,683,224	858,312	2,285,332	1,488,238	48,966,975
-	4,580,540	-	-	-	4,580,540
-	-	601,759	-	-	601,759
-	(390,122)	-	-	-	(390,122)
-	-	-	(2,093,966)	-	(2,093,966)
-	-	-	438,794	-	438,794
-	-	-	-	(77,485)	(77,485)
-	4,190,418	601,759	(1,655,172)	(77,485)	3,059,520
-	(775,535)	-	-	-	-
-	9,228	-	-	-	9,228
-	8,535	8,751	-	-	17,286
229,027	(229,027)	-	-	-	-
-	434,435	-	-	(434,435)	-
-	875,339	-	(875,339)	-	-
229,027	322,975	8,751	(875,339)	(434,435)	26,514
2,332,549	29,196,617	1,468,822	(245,179)	976,318	52,053,009
2,332,549	29,196,617	1,468,822	(245,179)	976,318	52,053,009
-	(1,168,335)	-	-	-	(1,168,335)
2,332,549	28,028,282	1,468,822	(245,179)	976,318	50,884,674
-	4,712,263	-	-	-	4,712,263
-	(222,236)	-	-	-	(222,236)
-	-	-	(1,240,758)	-	(1,240,758)
-	-	-	(1,251,047)	-	(1,251,047)
-	-	-	-	84,246	84,246
-	-	(94,603)	-	-	(94,603)
-	4,490,027	(94,603)	(2,491,805)	84,246	1,987,865
-	(1,602,571)	-	-	-	-
-	14,484	-	-	-	14,484
235,613	(235,613)	-	-	-	-
-	359,989	-	-	(359,989)	-
-	9,396	-	(9,396)	-	-
-	-	-	1,563,275	-	1,563,275
235,613	(1,454,315)	-	1,553,879	(359,989)	1,577,759
2,568,162	31,063,994	1,374,219	(1,183,105)	700,575	54,450,298

Statement of Changes in Equity

Group

For the Year ended 31st December	Note	Stated Capital	
		Ordinary Shares - Voting LKR '000	Ordinary Shares- Non Voting LKR '000
1 Balance as at 01st January 2021		11,136,187	6,412,160
Total Comprehensive Income for the Year			
Profit for the Year		-	-
Other Comprehensive Income (net of tax)			
- Revaluation of Property, Plant and Equipment	46.2	-	-
- Actuarial Losses on Defined Benefit Obligations	43.1.8	-	-
- Net Losses on Investments in Debt Instruments measured at Fair Value through Other Comprehensive Income	46.4	-	-
- Net Change in Fair Value on Investments in Equity Instruments measured at Fair Value through Other Comprehensive Income	46.4	-	-
- Net Movement of Cash Flow Hedge Reserve	46.5	-	-
2 Total Comprehensive Income for the Year		-	-
Transactions with Equity Holders , Recognised Directly In Equity			
Cash/Scrip Dividend	18	385,076	390,459
Unclaimed Dividend Absorbed/(Dividend Paid) in respect of Previous Years		-	-
Reversal of Revaluation on Disposed Property, Plant and Equipment	46.2	-	-
Transferred to Statutory Reserve Fund*	45	-	-
Transferred from Investment Fund Reserve	46.6	-	-
Net Gains on Disposal of Equity Investments measured at Fair Value through Other Comprehensive Income	46.4	-	-
Others		-	-
3 Total Transactions with Equity Holders		385,076	390,459
Balance as at 31st December 2021 (1 + 2 + 3)		11,521,263	6,802,619
1 Balance as at 01st January 2022		11,521,263	6,802,619
Surcharge Tax		-	-
2 Restated Balance as at 01st January 2022		11,521,263	6,802,619
Total Comprehensive Income for the Year			
Profit for the Year		-	-
Other Comprehensive Income (net of tax)			
- Revaluation of Property, Plant and Equipment	46.2	-	-
- Actuarial Losses on Defined Benefit Obligations	43.1.8	-	-
- Net Losses on Investments in Debt Instruments measured at Fair Value through Other Comprehensive Income	46.4	-	-
- Net Change in Fair Value on Investments in Equity Instruments measured at Fair Value through Other Comprehensive Income	46.4	-	-
- Net Movement of Cash Flow Hedge Reserve	46.5	-	-
- Deferred Tax Impact on Tax Rate Change	46.2	-	-
3 Total Comprehensive Income for the Year		-	-
Transactions with Equity Holders , Recognised Directly In Equity			
Cash/Scrip Dividend	18	792,802	809,769
Unclaimed Dividend Absorbed/(Dividend Paid) in respect of Previous Years		-	-
Reversal of Revaluation on Disposed Property, Plant and Equipment	46.2	-	-
Transferred to Statutory Reserve Fund*	45	-	-
Transferred from Investment Fund Reserve	46.6	-	-
Net Gains on Disposal of Equity Investments measured at Fair Value through Other Comprehensive Income	46.4	-	-
Reclassification of Debt Instruments measured at Fair Value through Other Comprehensive Income	46.4	-	-
4 Total Transactions with Equity Holders		792,802	809,769
Balance as at 31st December 2022 (2 + 3 + 4)		12,314,065	7,612,388

* Statutory Reserve Fund represents the statutory requirement in terms of the Section 20(1) and (2) of the Banking Act No. 30 of 1988 (5% of net profit after tax).

**FVOCI Reserve - Fair Value through Other Comprehensive Income Reserve

Notes on pages 174 to 270 form an integral part of these Financial Statements.

Statutory Reserve Fund *	Retained Earnings	Other Reserves			Total	Non-Controlling Interest	Total Equity
		Revaluation Reserve	FVOCI Reserve **	Other Reserves			
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
2,103,522	25,381,609	1,735,867	2,257,027	1,743,451	50,769,823	1,285,776	52,055,599
-	4,653,003	-	-	-	4,653,003	82,667	4,735,670
-	-	629,607	-	-	629,607	11,648	641,255
-	(390,684)	-	-	-	(390,684)	(235)	(390,919)
-	-	-	(2,091,694)	-	(2,091,694)	950	(2,090,744)
-	-	-	438,794	-	438,794	-	438,794
-	-	-	-	(77,485)	(77,485)	-	(77,485)
-	4,262,319	629,607	(1,652,900)	(77,485)	3,161,541	95,030	3,256,571
-	(775,535)	-	-	-	-	(52,362)	(52,362)
-	9,228	-	-	-	9,228	-	9,228
-	8,654	8,661	-	-	17,315	12	17,327
229,027	(229,027)	-	-	-	-	-	-
-	434,435	-	-	(434,435)	-	-	-
-	875,339	-	(875,339)	-	-	-	-
-	327	-	-	-	327	137	464
229,027	323,421	8,661	(875,339)	(434,435)	26,870	(52,213)	(25,343)
2,332,549	29,967,349	2,374,135	(271,212)	1,231,531	53,958,234	1,328,593	55,286,827
2,332,549	29,967,349	2,374,135	(271,212)	1,231,531	53,958,234	1,328,593	55,286,827
-	(1,168,335)	-	-	-	(1,168,335)	-	(1,168,335)
2,332,549	28,799,014	2,374,135	(271,212)	1,231,531	52,789,899	1,328,593	54,118,492
-	4,574,359	-	-	-	4,574,359	3,411	4,577,770
-	-	(9,945)	-	-	(9,945)	(4,159)	(14,104)
-	(221,122)	-	-	-	(221,122)	466	(220,656)
-	-	-	(1,247,267)	-	(1,247,267)	(2,722)	(1,249,989)
-	-	-	(1,251,047)	-	(1,251,047)	-	(1,251,047)
-	-	-	-	84,246	84,246	-	84,246
-	-	(94,821)	-	-	(94,821)	(92)	(94,913)
-	4,353,237	(104,766)	(2,498,314)	84,246	1,834,403	(3,096)	1,831,307
-	(1,602,571)	-	-	-	-	(61,089)	(61,089)
-	14,484	-	-	-	14,484	-	14,484
-	-	-	-	-	-	-	-
235,613	(235,613)	-	-	-	-	-	-
-	359,989	-	-	(359,989)	-	-	-
-	9,396	-	(9,396)	-	-	-	-
-	-	-	1,563,275	-	1,563,275	-	1,563,275
235,613	(1,454,315)	-	1,553,879	(359,989)	1,577,759	(61,089)	1,516,670
2,568,162	31,697,936	2,269,369	(1,215,647)	955,788	56,202,061	1,264,408	57,466,469

Statement of Cash Flows

For the Year ended 31st December	Note	Bank		Group	
		2022	2021	2022	2021
		LKR '000	LKR '000	LKR '000	LKR '000
Cash Flows from Operating Activities					
Interest Receipts		78,479,079	41,685,072	78,516,805	41,695,861
Interest Payments		(33,232,226)	(21,411,294)	(33,219,943)	(21,402,467)
Net Commission Receipts	9	6,462,018	4,641,200	6,461,207	4,640,476
Trading Income		196,078	28,216	196,078	29,416
Payments to Employees		(7,583,372)	(7,011,236)	(7,626,699)	(7,048,461)
VAT and SSCL on Financial Services Paid		(2,548,404)	(2,164,565)	(2,548,404)	(2,164,565)
Receipts from Other Operating Activities		15,234,119	3,707,288	15,360,974	3,804,412
Payments on Other Operating Activities		(5,861,384)	(4,192,934)	(5,916,877)	(4,234,684)
Operating Profit before Changes in Operating Assets and Liabilities [Note (a)]		51,145,908	15,281,747	51,223,141	15,319,988
(Increase)/Decrease in Operating Assets :					
Balances with Central Bank of Sri Lanka	21	(8,058,338)	(1,354,631)	(8,058,338)	(1,354,631)
Financial Assets at Amortised Cost - Loans and Advances		(19,115,338)	(54,727,268)	(19,115,466)	(54,727,317)
Other Assets		(5,063,032)	103,576	(5,106,545)	94,723
Increase/(Decrease) in Operating Liabilities :					
Financial Liabilities at Amortised Cost - Due to Depositors		49,236,984	49,744,819	49,236,984	49,744,819
Financial Liabilities at Amortised Cost - Due to Debt Securities Holders		9,238,188	89,286	9,238,188	89,286
Financial Liabilities at Amortised cost - Due to Other Borrowers	39	188	(6,828)	188	(6,828)
Other Liabilities		(7,677,735)	181,437	(7,653,888)	262,403
Due to Banks	36	(12,346,357)	(8,175,300)	(12,346,357)	(8,175,300)
Cash Generated from Operating Activities before Income Tax		57,360,468	1,136,838	57,417,907	1,247,143
Income Tax Paid	42	(2,138,520)	(1,242,538)	(2,138,520)	(1,242,538)
Surcharge Tax Paid		(1,168,335)	-	(1,168,335)	-
Net Cash (Used in) / Generated from Operating Activities		54,053,613	(105,700)	54,111,052	4,605
Cash Flows from Investing Activities					
Purchase of Property, Plant and Equipment	30	(192,907)	(312,432)	(197,090)	(356,854)
Improvements in Investment Properties	32	-	-	(43,087)	(33,725)
Proceeds from Sale of Property, Plant and Equipment		2,359	10,323	2,359	10,323
Net Proceeds from Sale, Maturity and Purchase of Financial Investments of Government of Sri Lanka Treasury Bills/Bonds, Development and International Sovereign Bonds Maturing after Three Months [Note (b)]		(11,411,748)	4,966,410	(11,489,675)	4,966,410
Net Proceeds From Sale, Maturity and Purchase of Financial Investments of Shares and Debentures		47,606	767,816	58,572	772,153
Reverse Repurchase Agreements maturing after Three Months		-	1,801	-	1,801
Net Purchase of Intangible Assets	33	(102,672)	(149,882)	(102,672)	(149,882)
Net Cash Flow from Acquisition of Investment in Subsidiaries		-	-	-	-
Net Cash Flow from Disposal of Subsidiaries		-	-	-	-
Dividend Received from Investment in Subsidiaries	12	146,065	125,199	-	-
Dividend Received from Other Investments	12	16,446	32,674	16,446	32,674
Net Cash (Used in) / Generated from Investing Activities		(11,494,851)	5,441,909	(11,755,147)	5,242,900
Cash Flows from Financing Activities					
Net Proceeds from the Issue of Ordinary Share Capital		-	-	-	-
Net Proceeds from the Issue of Other Equity Instruments		-	-	-	-
Net Proceeds from the Issue of Subordinated Debt		-	6,000,000	-	6,000,000
Repayment of Subordinated Debt		-	(1,727,720)	-	(1,727,720)
Interest Paid on Subordinated Debt		(2,589,596)	(2,261,775)	(2,578,780)	(2,250,959)
Interest Paid on Un-subordinated Debt		-	-	-	-
Dividend Paid to Non-controlling Interest		-	-	(57,343)	(42,931)
Dividend Paid to Shareholders of the Bank		(886)	(229)	(886)	(229)
Dividend Paid to Holders of Other Equity Instruments		-	-	-	-
Repayment of Principal Portion of Lease Liabilities	31.1.1	(752,565)	(822,434)	(474,202)	(537,647)
Net Cash (Used in) / Generated from Financing Activities		(3,343,047)	1,187,842	(3,111,211)	1,440,514
Net Increase in Cash and Cash Equivalents		39,215,715	6,524,051	39,244,694	6,688,019
Cash and Cash Equivalents at Beginning of the Year		44,039,917	37,515,866	44,204,423	37,516,404
Cash and Cash Equivalents at End of the Year		83,255,632	44,039,917	83,449,117	44,204,423

For the Year ended 31st December	Note	Bank		Group	
		2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Reconciliation of Cash and Cash Equivalents					
Cash and Cash Equivalents	20	40,402,164	16,113,653	40,402,204	16,113,693
Placements with Banks and Finance Companies	22	1,828,177	8,288,351	1,828,675	8,288,849
Government of Sri Lanka Treasury Bills/Bonds, Development and International Sovereign Bonds maturing within Three Months		37,396,742	9,608,882	37,589,689	9,772,850
Securities Purchased Under Resale Agreements maturing within Three Months		3,628,549	10,029,031	3,628,549	10,029,031
		83,255,632	44,039,917	83,449,117	44,204,423

Note (a) Reconciliation of Operating Profit before Changes in Operating Assets and Liabilities

For the Year ended 31st December	Note	Bank		Group	
		2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Profit before Income Tax		6,628,860	6,027,776	6,796,658	6,184,680
Accrual for Interest Income		(7,589,532)	(5,085,343)	(7,589,532)	(5,085,343)
Accrual for Interest Expenses		9,704,827	(491,755)	9,420,498	(776,130)
Fair Value Adjustment on Derivative Financial Instruments	10	489,080	191,910	489,080	191,910
Loss on Revaluation of Foreign Exchange		10,899,727	444,503	10,899,727	444,503
Dividend Income	12	(162,511)	(157,873)	(16,446)	(32,674)
Unrealised Fair Value (Gains)/Losses on Financial Instruments measured at Fair Value Through Profit or Loss		153,956	55,350	153,956	55,350
Profit from Sale of Property, Plant and Equipment	12	(2,283)	(10,323)	(2,283)	(10,323)
Depreciation of Property, Plant and Equipment	14	712,206	796,791	777,708	860,436
Depreciation of Right-of-use Assets	14	460,289	455,160	426,586	421,441
Depreciation of Investment Properties	14	-	-	26,665	20,071
Amortisation of Intangible Assets	14	185,420	177,518	185,420	177,518
Impairment Charges on Loans and Advances	13	21,447,905	8,985,084	21,447,905	8,985,084
Amortisation of Pre-paid Staff Cost	15	302,464	280,371	302,592	280,420
Accrual for VAT and SSCL on Financial Services		225,631	(229,753)	225,631	(229,753)
Accrual for Employee Retirement Benefit Liability		78,260	(381,904)	78,112	(382,950)
Impairment Charges other than Loans and Advances	13	4,985,171	1,436,829	4,985,171	1,436,829
Accrual for Leave Encashment Provision	43.2	3,588	(4,386)	3,588	(4,386)
Accrual for Other Expenses		33,254	530,017	33,325	532,346
Interest Paid to Debt Security Holders		2,589,596	2,261,775	2,578,780	2,250,959
Operating Profit before Changes in Operating Assets and Liabilities		51,145,908	15,281,747	51,223,141	15,319,988

Note (b) Net proceeds from Sale, Maturity and Purchase of Financial Investments of Government of Sri Lanka Treasury Bills/Bonds, Development and International Sovereign Bonds maturing after Three Months

For the Year ended 31st December	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Treasury Bills	(11,842,301)	3,667,102	(11,920,228)	3,667,102
Treasury Bonds	(4,042,452)	(2,218,563)	(4,042,452)	(2,218,563)
Foreign Currency Denominated Bonds (Development and International Sovereign Bonds)	4,473,005	3,517,871	4,473,005	3,517,871
Total	(11,411,748)	4,966,410	(11,489,675)	4,966,410

Notes on pages 174 to 270 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. Reporting Entity

Seylan Bank is a Licensed Commercial Bank (LCB) regulated under the Banking Act No. 30 of 1988 and amendments thereto, and listed on Colombo Stock Exchange as a public limited liability company. The Bank was incorporated on 28 August 1987 and domiciled in Sri Lanka. The registered office of the Bank is situated at No. 90, Galle Road, Colombo 03. The shares of the Bank have a primary listing on the Colombo Stock Exchange (CSE).

The consolidated Financial Statements comprises the Bank and its subsidiary (together referred to the Group).

The Bank does not have an identifiable parent of its own. The Bank is the ultimate parent of the Group.

The total number of employees of the Bank as at 31st December 2022 is 3,156 (2021 – 3,148).

1.1 Principal Activities and Nature of the Business

The Bank

The principal activities of the Bank are banking and related activities such as accepting deposits, personal banking, trade financing, off-shore banking, resident and non-resident foreign currency operations, travel related services, corporate and retail credit, project financing, lease financing, rural credit, issuing of local and international debit and credit cards, internet banking, mobile banking, money remittance facilities, salary remittance packages, pawning, margin trading, factoring, digital banking services, bancassurance, Islamic banking products and services, dealing in Government Securities, etc.

Subsidiary

The Subsidiary, Seylan Developments PLC, situated at No. 90, Galle Road, Colombo 03, is in the business of development, administration and maintenance of property.

2. Basis of Presentation of Financial Statements

2.1 Statement of Compliance

The Financial Statements of the Bank and Group have been prepared in accordance with the Sri Lanka

Accounting Standards (SLFRSs / LKASs) issued by The Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of the Companies Act No. 7 of 2007 and Banking Act No. 30 of 1988 and amendments thereto and listing rules of Colombo Stock Exchange (CSE). The details of significant accounting policies are disclosed in Note 5.

2.2 Approval of Financial Statements by Directors

The Financial Statements as at 31st December 2022 were authorised for issue by the Board of Directors on 22nd February 2023.

2.3 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for the following material items, which are measured on the following alternative basis on each reporting date.

- Derivative financial instruments and non- derivative financial instruments held at Fair Value through Profit or Loss (FVTPL) and Fair Value through Other Comprehensive Income (FVOCI) are measured at fair value.
- Land and buildings are measured at cost at the time of acquisition and subsequently at revalued amounts less accumulated depreciation and impairment losses.
- Non-current assets held for sale are measured at lower of carrying amount and fair value less cost to sell.
- Liability for defined benefit obligations is measured as the present value of the defined benefit obligation less the fair value of the plan assets.

2.4 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Bank's/Group's functional currency. Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand unless indicated otherwise.

There was no change in the Bank's/ Group's presentation and functional currency during the year under review.

2.5 Materiality and Aggregation

Each material class of similar item is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

2.6 Offsetting

Financial assets and liabilities are offset and the net amount presented in the Consolidated and Bank only Statement of Financial Position when, and only when, the Group/Bank has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs / LKASs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

2.7 Comparative Information

The comparative information is reclassified whenever necessary to conform with the current year's presentation and to be in compliance with the Circular No 2 of 2019 issued by Central Bank of Sri Lanka on publication of Annual and Quarterly Financial Statements and other disclosures by licensed banks in order to provide a better presentation.

As explained in Note 17.1 weighted average number of ordinary shares as at 31st December 2021 has been restated in arriving at Earnings per Share (EPS) for 2021.

Further, the tax liability arising from the Surcharge Tax Act No: 14 of 2022 has been accounted as recommended by the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka as disclosed under the Note 16 on Income Taxes.

3. Use of Estimates and Judgements

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRSs / LKASs) requires management to make 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are described in the following notes.

Economic Environment

High degree of uncertainty that characterizes the internal economic environment followed by the economic downturn in the Country has led to a significant deterioration in the creditworthiness of corporate and individuals, to an increase of non-performing loans and therefore to the recognition of significant impairment losses by the Bank and banking sector in general.

The Bank's total exposure to Sri Lanka Government securities (Sri Lanka Development Bonds and Sri Lanka International Sovereign Bonds) denominated in foreign currency is presented in Note 26. The main uncertainties regarding the estimations for the recoverability of the Bank's total exposure relate to the debt service capacity of the Country, which in turn, is affected by the prevailing Macro-economic environment.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement and the assessment of the recoverable amount of non-financial assets. The impact of the economic conditions on each of these estimates is discussed further in the relevant notes of these financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(I) Judgements

(a) Classification of Financial Assets

The Bank used judgements when assessing of the business model within which the assets are held and assessment whether the contractual terms of the financial assets are solely payments of principal and interest (SPPI) on the principal amount of the outstanding.

(b) Assessment of Credit Risk

The Group also used judgements when establishing the criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition, determining methodology for incorporating forward looking information into measurement of Expected Credit Losses (ECL) and selection and approval of models to measure ECL.

(c) Determination of Control over Employee Share Option Scheme and Share Trusts

The judgement applied by management over determination of control over Employee Share Option Scheme and Share Trusts is set out in Note 5.1.5.

(d) Classification of Investment Properties

As explained in Note 32.

(II) Assumptions and Estimation Uncertainties

Going Concern

The Directors have made an assessment of the Bank's/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.

The assessment took into consideration current economic developments in order to make projections for future economic conditions of the environment in which it operates. The main factors that cause uncertainties regarding the application of this principle relate to the unstable economic environment in the Country, the existing and potential continuing implications of COVID 19 pandemic and uncertain volatile Macro-

economic conditions on the business operations, performance of the Group and the measures adopted by the Government to support the recovery of the economy. The high degree of uncertainty that characterizes the internal economic environment led to deterioration in the creditworthiness of corporate and individuals, to an increase of non-performing loans and therefore to the recognition of significant impairment losses by the Bank and by the banking system in general. Based on the above and taking into account the Bank's capital adequacy and the ability of the Bank to access the liquidity mechanisms, the Group estimates that the conditions for the application of the going concern principle for the preparation of its financial statements are met.

The Board is not aware of any material uncertainties that may cast significant doubt on the Bank's/Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

Fair Value of Financial Instruments

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values.

The Bank uses estimates when determining impairment of financial instruments: Determination of inputs into the Expected Credit Loss (ECL) measurement model including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

This includes an element of management's judgement, in particular for the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, the change of which can result in different levels of allowances.

Notes to the Financial Statements

Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies.

Measurement of Defined Benefit Obligations

The costs of the defined benefit plans are determined using an actuarial valuation. The actuarial valuation involves making assumptions about mortality rates, staff turnover, disability rate, retirement age, rate of discount, salary increments etc.

Goodwill

Impairment testing for Cash Generating Units (CGU) containing goodwill key assumptions underlying recoverable amounts.

Contingencies

The management has made judgements as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due processes in respective legal jurisdictions.

4. Changes in Accounting Policies

There were no significant changes to the accounting policies except for below.

The Group has adopted Onerous Contracts - Costs of fulfilling a Contract (Amendments to SLAS 37) from 01st January 2022. This resulted in a change in accounting policy for performing an onerous contracts assessment. Previously, the Group included only incremental costs to fulfil a contract when determining whether that contract was onerous. The revised policy is to include both incremental costs and an allocation of other direct costs. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. The Group has analysed all contracts

existing at 01st January 2022 and determined that none of them would be identified as onerous applying the revised accounting policy - i.e. there is no impact on the opening equity balances as at 01st January 2022 as a result of the change.

5. Significant Accounting Policies

The Accounting Policies set out below have been applied consistently to all periods presented in these Financial Statements unless otherwise indicated.

The Accounting Policies have been applied consistently by Group entities except for the changes in accounting policies described in Note 4.

5.1 Basis of Consolidation

5.1.1 Business Combination

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group.

From 01st January 2020, in determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

5.1.2 Subsidiaries

'Subsidiaries' are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Financial Statements of the Subsidiary are included in the Financial Statements from the date that control effectively commences until the date that control effectively ceases.

The accounting policies of the Subsidiary have been changed when necessary to align them with the policies adopted by the Group. The Group Financial Statements comprise a consolidation of the Financial Statements of the Bank and its subsidiary incorporated in Sri Lanka, Seylan Developments PLC (70.51%).

The total profit/loss of the Subsidiary is included in the Consolidated Income Statement, and the proportion of the profit or loss after taxation applicable to outside shareholders is shown under the heading 'Non-Controlling Interest'. All assets and liabilities of the Bank and its subsidiary are included in the Consolidated Statement of Financial

Position. The interest of the outside shareholders in the net assets of the Group is stated separately in the Consolidated Statement of Financial Position within Equity under the heading 'Non-Controlling Interest'.

There are no significant restrictions on the ability of the Subsidiary to transfer funds to the Bank in the form of cash dividends or repayment of loans and advances.

5.1.3 Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the Subsidiary, any non-controlling interest and the other components of equity related to the Subsidiary. Any surplus or deficit arising on the loss of control is recognised in 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.

5.1.4 Transactions Eliminated on Consolidation

Intra-group balances, and income and expenses arising from intra-group transactions are eliminated in preparing the Financial Statements. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

5.1.5 Employee Share Option Schemes and Share Trusts

The Trusts are treated as external entities due to the uncertainties relating to the formation of the trusts and beneficial ownership.

5.1.6 Non-Controlling Interest

Non-controlling interest is measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a Subsidiary that do not result in a loss of control are accounted for as equity transactions.

5.1.7 Non-Uniform Accounting Policies

The impact of non-uniform accounting policies adopted by the Subsidiary has

been adjusted in the Consolidated Financial Statements and disclosed in Note 54.

5.2 Foreign Currency Translations and Balances

Transactions in foreign currencies are translated to Sri Lankan Rupees at the middle rate of exchange ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Sri Lankan Rupees at the middle rate of exchange ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Sri Lankan Rupees at the exchange rates ruling at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The following are the middle rate of exchange as at 31st December 2022.

Currency	LKR Value (Per 1 Unit of Each Currency)
Great Britain Pound	437.7654
United States Dollar	363.1100
Euro	387.2205
Japanese Yen	2.7380
Australian Dollar	246.2975

5.3 Statutory Deposit with Central Bank

The Monetary Law Act requires that all commercial banks operating in Sri Lanka to maintain reserves against all deposit liabilities denominated in Sri Lankan Rupees.

5.4 Financial Assets and Financial Liabilities

5.4.1 Recognition and Initial Measurement

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

5.4.2 Classification

Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- 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 (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL

- the asset 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 SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Notes to the Financial Statements

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business Model Assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level 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 Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for 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 Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair

value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether Contractual Cash Flows are Solely Payments of Principal and Interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. '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 (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instruments. This includes assessing whether the financial asset contains a contractual term that could change the timing or 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 (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Group holds a portfolio of long-term fixed-rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Non-Recourse Loans

In some cases, loans made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The Group applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Group typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Group's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Group will benefit from any upside from the underlying assets.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

5.4.3 Derecognition

Financial Assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying

amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial Liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Modification of Financial Assets and Liabilities

Financial Assets

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (refer write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented

as interest income calculated using the effective interest rate method.

Financial Liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

5.4.4 Fair Value Measurement

'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 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.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen

Notes to the Financial Statements

valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

5.4.5 Impairment

Recognition of ECL

The Group recognises loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- undrawn credit commitments.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the definition of 'investment grade'. The Group does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'. Financial Instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit impaired.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit impaired.

Financial instruments for which lifetime ECL are recognised and that

are credit-impaired are referred to as 'Stage 3 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity 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;
- 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; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured Financial Assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original

effective interest rate of the existing financial asset.

Credit-Impaired Financial Assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. Credit facilities where contractual payments of customer are past due more than 90 days or if the factors / conditions mentioned in the Banking Act Directions No 13 of 2021 and the internal policy are met, it shall be considered as credit impaired.

Presentation of allowance for ECL in the Statement of Financial Position

Loss allowances for ECL are presented in the Statement of Financial Position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: as a provision under other liabilities;

- debt instruments measured at FVOCI: no loss allowance is recognised in the Statement of Financial Position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the FVOCI reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'Other Income' in the Income Statement.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5.4.6 Designation at Fair Value Through Profit or Loss

The Group does not have any financial assets or financial liabilities designated as at FVTPL.

5.5 Securities Purchased Under Resale Agreements

These are loans collateralised by the purchase of Treasury Bills and/ or Guaranteed Commercial Papers from the counterparty to whom the loans are granted. The sale by the counterparty is subject to a commitment by the Bank to sell back the underlying debt securities to the borrower at a predetermined price.

The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

5.6 Cash and Cash Equivalents

Cash and cash equivalents include notes and coins in hand and highly liquid financial assets with original maturities of three months or less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

5.7 Derivatives Held for Risk Management Purposes and Hedge Accounting

Derivatives are categorised as FVTPL unless they are designated as hedging instruments.

When a derivative is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss as a component of net income from other financial instruments at fair value through profit or loss.

All derivatives are initially recognised and subsequently measured at fair value, with all fair value changes recognised in profit and loss. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships.

Policy Applicable Generally to Hedging Relationships

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument is expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125%. Currently, the Group has only cash flow hedging relationships.

The Group normally designates a portion of the cash flows of a financial instrument for cash flow or fair value changes attributable to a benchmark interest rate risk, if the portion is separately identifiable and reliably measurable.

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Cash Flow Hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affected profit or loss, and in the same line item in the Statement of Profit or Loss and Other Comprehensive Income.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated. If the hedged cash flows are no longer expected to occur, then the Group immediately reclassifies the amount in the hedging reserve from OCI to profit or loss. For terminated hedging relationships, if the hedged cash flows are still expected to occur, then the amount accumulated in the hedging reserve is not reclassified until the hedged cash flows affect profit or loss; if the hedged cash flows are expected to affect profit or loss in multiple reporting periods, then the Group reclassifies the amount in the hedging reserve from OCI to profit or loss on a straight-line basis.

The Bank's Risk Management Division closely monitors the hedging activities that are been carried out by the Treasury Front Office for their compliance and effectiveness, as a Risk Management Strategy. The Bank enters into hedging transactions for exposures that pose a material risk to the Bank's financial health or threaten the strategic decisions. These hedging transactions are entered within the Bank's approved limits such as Per Transaction Limits Counter Party Limits, Currency Exposure Limits and Gap Limits, and always study the

Market Outlook prior to entering into such transactions.

Fair Value Hedge of Foreign Exchange Risk

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss. The change in fair value of the hedged item attributable to the hedged risk is recognised in profit or loss. If the hedged item would otherwise be measured at cost or amortised cost, then its carrying amount is adjusted accordingly.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to profit or loss as an adjustment to the recalculated effective interest rate of the item over its remaining life.

On hedge discontinuation, any hedging adjustment made previously to a hedged financial instrument for which the effective interest method is used is amortised to profit or loss by adjusting the effective interest rate of the hedged item from the date on which amortisation begins. If the hedged item is derecognised, then the adjustment is recognised immediately in profit or loss when the item is derecognised.

5.8 Non-Current Assets Held for Sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group,

are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

5.9 Intangible Assets

5.9.1 Software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

5.9.2 Subsequent Expenditure

Subsequent expenditure on software 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.

5.9.3 Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, 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 software is as follows;

	Useful Life (years)
Seylan Bank PLC (Banking Software)	6
Seylan Developments PLC (Accounting Software)	5

5.10 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business, used in the production

or supply of goods or services or for administrative purposes.

Investment property is recognised if it is probable that future economic benefits that are associated with the investment property will flow to the Group and cost of the investment property can be reliably measured.

An investment property is measured initially at its cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable expenditure. The cost of a self-constructed investment property is its cost at the date when the construction or development is completed. The Group applies the cost model for investment properties in accordance with LKAS 40 - 'Investment Property'. Accordingly, land classified as investment properties are stated at cost and buildings classified as investment properties are stated at cost, less any accumulated depreciation and any accumulated impairment losses. Fair values of these properties are disclosed in Note 32 to the Financial Statements. Seylan Developments PLC, the Subsidiary of the Bank, applies the fair value model in accordance with the above standard. Accordingly, investment properties are stated at fair value and an external independent valuation company having an appropriate recognised professional qualification values the portfolio annually. Any gain or loss arising from a change in fair value is recognised in profit or loss. Adjustment for non-uniform accounting policy is reported in Note 54.

When an item of Property, Plant and Equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value are recognised directly in equity if it is a gain. Upon disposal of the item the gain is transferred to retained earnings. Any loss arising in this manner is recognised in profit or loss immediately.

If an investment property becomes owner-occupied, it is reclassified as Property, Plant and Equipment and its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

When the Company begins to redevelop an existing investment property for continued future use as

investment property, the property remains an investment property, which is measured, based on fair value model, and is not reclassified as Property, Plant and Equipment during the redevelopment.

A leasehold property under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Company holds it to earn rentals or for capital appreciation or both.

5.10.1 Derecognition

Investment properties are derecognised when disposed of, or permanently withdrawn from use because no future economic benefits are expected. Transfers are made to and from investment properties only when there is a change in use.

5.10.2 Investment Property Leased within the Group

Any property leased out to parent or subsidiary is considered as owner-occupied from the perspective of the Group and adjustments are made for consolidation purposes and changes are disclosed in Note 54 to the Financial Statements.

5.11 Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period.

5.11.1 Recognition and Measurement

Items of Property and Equipment are measured at cost or revaluation, less accumulated depreciation and accumulated impairment losses except for land. Cost 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 capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and are recognised net within other income in profit or loss.

5.11.2 Cost Model

The Bank applies cost model to Property, Plant and Equipment except for Land and Buildings and records at cost of purchase or construction together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

5.11.3 Revaluation Model

The Bank applies the revaluation model for the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Land and buildings of the Bank are revalued within five years on a roll over basis to ensure that the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognised in Other Comprehensive Income and accumulated in Equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Income Statement. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Income Statement or debited in the Other Comprehensive Income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognised in Other Comprehensive Income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to Retained Earnings on retirement or disposal of the asset.

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Reclassification to Investment Property

When the use of property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised in 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 profit or loss.

5.11.4 Subsequent Costs

The cost of replacing a component of an item of property or equipment 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 carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

5.11.5 Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in Income Statement when the item is derecognised.

5.11.6 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this 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 or their useful lives. Land is not depreciated.

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.

	Useful Life (Years)	Depreciation Rate
Freehold Buildings	40	2.5%
Motor Vehicles	5	20%
Computer Equipment	6	16.67%
Office Machine, Equipment, Furniture and Fittings	3-10	33 1/3% - 10%
Freehold Buildings on Leasehold Lands	Remaining leased period or 40 years whichever is shorter	

Depreciation methods, useful lives and residual values are reassessed at each financial year end and adjusted appropriately.

The Bank does not require to reinstate fully depreciated assets as per the guidelines issued by The Institute of Chartered Accountants of Sri Lanka on Reinstatement of Fully Depreciated Assets in the Statement of Financial Position, as those are neither critical nor a main revenue generating source.

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Property, Plant and Equipment are recorded at cost of purchase or valuation together with any incidental expenses thereon. The assets are stated at cost or valuation less accumulated depreciation which is provided for on the basis specified below.

Depreciation of common types of assets within the Group is in line with the Group policy disclosed above. Freehold land is not depreciated. The depreciation of other assets that are unique to Seylan Developments PLC is provided on the straight-line method at varying rates per annum based on their useful lives as follows:

	Useful Life (Years)	Depreciation Rate
Furniture and Fittings	10	10%
Office and Other Equipment	05	20%
Tools	03	33.3%

5.11.7 Capital Work-in-Progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation.

5.11.8 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset have been capitalised as part of the cost of the asset in accordance with Sri Lanka Accounting Standard (LKAS) 23 "Borrowing Costs". Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

Other borrowing costs are recognised as an expense.

5.12 Leases

This policy is applied to contracts entered into (or changed) on or after 01st January 2019.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16.

(a) Group Acting as a Lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any

improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the Statement of Financial Position.

Short-Term Leases and Leases of Low-Value Assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) Group Acting as a Lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

5.13 Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

The recoverable amount of an asset or Cash Generating Unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing 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 or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU, subject to an operating segment ceiling test.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

5.14 Inventories

Inventory mainly consists of stationery, consumables, pre-printed material, Tikiri gifts and electronic plastic cards. Bank accounts the inventory of stationery, consumables, pre-printed material and Tikiri gifts at first in first out method, and the electronic plastic cards at cost.

5.15 Liabilities and Provisions

5.15.1 Deposits, Debt Securities Issued and Subordinated Liabilities

Deposits, debt securities issued and subordinated liabilities are the Group's sources of funding.

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date ("Repo"), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's Financial Statements.

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The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group chooses to carry the liabilities at fair value through profit or loss.

5.15.2 Dividend Payable

Provision for final dividend is recognised at the time the dividend is recommended and declared by the Board of Directors and is approved by the shareholders. Interim dividend payable is recognised when the Board approves such dividend in accordance with the Companies Act No. 7 of 2007.

5.16 Employee Retirement Benefits

5.16.1 Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank operates an approved Gratuity Fund to facilitate the payments for permanent staff of the Bank.

The Bank's net obligation in respect of defined benefit plan 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; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on Government Bonds that have maturity dates approximating to the terms of the Bank's obligations. The calculation is performed by a qualified actuary using the Projected Unit Credit Method - Sri Lanka Accounting Standard (LKAS 19) - 'Employee Benefits'.

Actuarial gains and losses occur when the actual plan experience differs from the assumed. The Bank recognises the total actuarial gains and losses that arise in calculating the Bank's obligation in respect of the Plan in Other Comprehensive Income during the period in which it occurs.

When the calculations above result in a benefit to the Bank, the recognised

asset is limited to the net total of any cumulative unrecognised actuarial losses and past service costs and the present value of any economic benefits available in the form of any refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Bank if it is realisable during the life of the plan or on settlement of the plan liabilities.

Monthly provision is made by the Bank for the Gratuity Fund, based on a percentage of the basic salary of employees. The percentage of contributions is determined by the same actuary and retirement benefits are provided to all permanent staff. The Bank carries out an actuarial valuation of the Gratuity Fund in December each year to ascertain the full liability of the Fund. The valuation method used by the actuary to value the Fund is the 'Projected Unit Credit Method', the method recommended by LKAS 19. The demographic assumptions underlying the valuation are mortality, staff turnover, disability, retirement age specified by the Bank, etc.

As per the Parliament Act 28 of 2021 Minimum Retirement Age of Workers, the retirement age has been changed to a range of 57 years to 60 years from 55 years. Earlier the Bank's retirement age of employees was increased to 57 years in 2017 from 55 years. These revisions in retirement age has been considered in estimating the provision for defined benefit obligations and leave encashment provision as changes in estimates.

However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

Changes to Gratuity Policy

The Board has resolved to pay an additional half a month basic salary (last drawn) over and above the statutory gratuity entitlement for each year of service for eligible existing employees and ex-employees who joined before 05th March 2009 and retired/resigned after 05th March 2009 having completed uninterrupted and unblemished service period of ten years in the Bank, subject to the entering into a Memorandum of Settlement which confers on them

the said entitlement to the additional payment and giving the right to the Bank to settle the said liability by disposal of the shares in the Share Trust companies.

All employees who joined on or after 05th March 2009 are entitled to receive a Gratuity of half a month basic salary (last drawn) for each completed year of service in terms of Gratuity Act No. 12 of 1983.

The Subsidiary has performed the calculation using the Projected Unit Credit Method based on Sri Lanka Accounting Standard (LKAS) 19 - "Employee Benefits", and the provisions have been made accordingly.

The gratuity liabilities are externally funded through plan assets of the Gratuity Trust Fund.

Other Long-Term Employee Benefits – (Termination Benefit -Leave Encashment)

The Bank's net obligation in respect of long-term employee benefits other than gratuity funds is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on Government Bonds that have maturity dates approximating to the terms of the Bank's obligations. The calculation is performed using the Projected Unit Credit Method.

Any actuarial gains and losses are recognised in profit or loss in the period in which they arise. The Bank's liability towards the portion of the accumulated leave which is expected to be utilised beyond one year from the end of the reporting period is treated as other long-term employee benefits.

Past Service Cost and Gain/Loss on Settlement

Before determining past service cost or gain or loss on settlements, the Bank re-measures the net defined benefit liability/(asset) using the current fair value of plan assets and current actuarial assumptions reflecting the benefits offered under the plan before the plan amendment, curtailment or settlement.

A plan amendment occurs when an entity introduces, or withdraws a defined benefit plan or changes the

benefits payable under an existing defined benefit plan. The past service cost or gain or loss on settlement is calculated net of any related asset transferred and recognised in profit or loss.

Termination Benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short-Term Employee Benefits

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 or profit-sharing plans 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.

5.16.2 Defined Contribution Plans

A defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognised as expense in the Income Statement as and when they are due.

5.16.2 (a) Employees' Provident Fund

The Bank and employees contribute 12% and a minimum of 8% respectively on the salary of each employee to the approved private Provident Fund while the Subsidiary and their employees contribute the same percentages to the Employees' Provident Fund.

5.16.2 (b) Employees' Trust Fund

The Bank contributes 3% of the salary of each employee to the Employees' Trust Fund. The total amount recognised as an expense to the Bank for contribution to ETF is disclosed in the Note 15 to Financial Statements.

5.17 Provisions

A provision is recognised if, as a result of a past event, 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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 at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract which is determined based on the incremental cost of fulfilling the obligation under the contract and on allocation of other costs directly related to fulfilling the contracts. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

5.18 Financial Guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable.

5.19 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. The Bank's share of any contingencies and capital commitments of a Subsidiary, for which the Bank is also liable severally or otherwise are also included with appropriate disclosures.

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 they are remote.

Income Statement

5.20 Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the Income Statement include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;

Fair value changes on other derivatives held for risk management purposes, and all other financial assets and liabilities carried at fair value through profit or loss, are presented in net income from other financial instruments at fair value through profit or loss in the Income Statement.

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Interest income on FVOCI investment securities calculated on an effective interest basis is also included in interest income.

Fee, Commission and Other Income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Fee and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognised as the related services are performed.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received. Fee and commission expenses are recognised on a cash basis.

Net Gains/(Losses) from Trading

This income comprises gains less losses related to trading / FVTPL assets and includes all realised and unrealised fair value changes.

Dividend Income

Dividend income is recognised in the Income Statement when the Bank's right to receive the dividend is established.

Usually this is the ex-dividend date for equity securities. Dividends are presented in net other operating income.

Accounting for Finance Lease Income

Assets leased to customers to whom the Bank transfers substantially all the risks and rewards associated with ownership other than the legal title are classified as finance leases. Amounts receivable under finance leases are included under 'Lease Rental Receivable'. Leasing balances are stated in the Statement of Financial Position after deduction of initial rentals received.

The excess of aggregate rentals receivable over the cost of the leased assets constitutes the total unearned income. The unearned income is taken into revenue over the term of the lease, commencing from the month in which the lease is executed

in proportion to the remaining receivable balance of the lease.

Profits / Losses from Sale of Property, Plant and Equipment

Any profits or losses from sale of property, plant and equipment are recognised in the period in which the sale occurs and is classified as net other operating income.

Profits / Losses from Sale of Investment Properties

Any profits or losses on retirement or disposal of investment properties are recognised in the month of retirement or disposal.

Rental Income

Rental income is recognised on an accrual basis.

5.21 Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Income Statement except to the extent that it relates to items recognised directly in Equity or in Other Comprehensive Income. According to Inland Revenue (Amendment) Act No. 45 of 2022, income tax rate applicable for companies has been changed from 24% to 30% with effect from 01st July 2022. The application of the date of change has been contended by the banks. Further, according to Inland Revenue (Amendment) Act No. 10 of 2021, the Income Tax rate applicable on entities has changed from 28% to 24%.

5.21.1 Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the reporting date, and any adjustment to tax payable in respect of previous years.

5.21.2 Deferred Tax

Deferred taxation is a methodology identifying the temporary differences of income tax computation and accounting for the same to bring out true and fair view of an organisation. It accounts for temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities which is the amount attributed for those assets and liabilities for tax purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the rates enacted or substantively enacted by the reporting date.

Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit or loss.
- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.
- Any permanent differences which are strictly prescribed by the tax statutes or any procedural guidelines.
- Any temporary difference not specifically recognised by an Act or an Act substantively enacted.

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 asset is created on foreseen futuristic realisation of a tax payment, which is not taxed in the current period, and vice versa, a deferred tax liability shall be created for a foreseen futuristic realisation of a tax deduction, which is taxed in the current period. Deferred tax assets and liabilities are reviewed at each reporting date and are reduced or increased in accordance with the existence of taxing probabilities in the future.

Details of the deferred tax assets and liabilities as at the reporting date are given in Note 16.4 and in Note 34 including the sub notes. Deferred tax impact of items that are recognised in OCI/directly in equity are also recognised in OCI/directly in equity.

Bank has already recognised the deferred tax liability for the revaluation surplus of land in accordance with the related tax provisions introduced by the Inland Revenue Act No. 24 of 2017 by considering all the lands as business assets. The total related deferred tax charge was recognised in the Other Comprehensive Income from the year 2017 onwards.

5.21.3 Advance Income Tax (AIT) on Dividends

Dividends distributed out of profits after tax attracted a tax of 14% till 30th September 2022 and 15% with effect from 01st October 2022 charged in the hands of the dividend recipient. No Advance Income Tax (AIT) was mandatorily imposed until 30th September 2022 whereas 15% AIT (similar to Withholding Tax) is mandatorily imposed on dividends distributed with effect from 01st January 2023. Therefore, any dividends distributed after 01st January 2023 shall be subject to 15% AIT where shareholders shall receive dividends net of AIT. AIT deducted on dividends shall be final tax and will attract no further tax in the hands of the shareholders.

With the introduction of the Inland Revenue (Amendment) Acts No. 10 of 2021 and No. 45 of 2022, any dividends paid out of the dividends received, shall be exempted from income tax net of the cost of funds. In addition, if a resident company pays the dividend to a non-resident person (including a company) such would be totally exempt from income tax.

5.21.4 Value Added Tax on Financial Services

The value base for Value Added Tax (VAT) for the Bank is the adjusted accounting profit before tax, emoluments of employees and economic depreciation computed for the owned fixed assets. The total value addition arrived for the entire Bank has to be apportioned in accordance to the applicable turnover; turnover has to be quantified in line with the turnover applicable for general VAT and VAT on Financial Services. The Value Addition Attributable for Financial Services shall be derived with the application of the turnover ratio distinguishing general VAT and VAT on Financial Services. In order to derive the total VAT on Financial Services liability for a particular period, the tax fraction 18/120.5 with effect from 01st October 2022 (18/118 applicable until 30th September 2022) has to be applied accordingly on the value addition attributable to financial services.

5.21.5 Social Security Contribution Levy (SSCL)

The Social Security Contribution Levy (SSCL) Act No. 25 of 2022, has been passed in the parliament imposing a new levy on the turnover of persons.

The SSCL comes into operations with effect from 01st October 2022. Since SSCL is a turnover based direct tax, it has two tax bases.

1. Value Addition attributable to financial services. (The same value addition derived to compute the VAT on Financial Services as explained under 5.21.4 above)
2. Turnover liable for General VAT (Turnover not liable for financial services).

The Value Addition attributable for Financial Services shall be derived with the application of the turnover ratio distinguishing General VAT and VAT on Financial Services. Tax fraction 2.5/120.5 is applied in computing SSCL

In addition, turnover, liable for General VAT too shall be chargeable with SSCL. Bank is required to pay SSCL on the General VAT liable turnover at the rate of 2.5%.

5.21.6 Crop Insurance Levy

Section 14 of the Finance Act No. 12 of 2013 impose a crop insurance levy on institutions under the purview of:

- Banking Act No. 30 of 1988
- Finance Companies Act No. 78 of 1988
- Regulation of Insurance Industry Act No. 43 of 2000

Accordingly, Bank is required to pay 1% of the profit after tax for a year of assessment to the National Insurance Trust Fund with effect from 01st April 2013.

5.21.7 Advance Income Tax (AIT) and Withholding Tax (WHT)

Advance Income Tax (AIT) which has similar attributes to the Withholding Tax has been re-introduced with the introduction of Inland Revenue (Amendment) Act No. 45 of 2022 effecting from 01st of January 2023. AIT shall be charged on the interest paid or credited from all interest bearing deposit accounts denominated in Sri Lankan Rupees at the rate of 5% on such interest payments or credits. Interest received on interest bearing foreign currency accounts, "Special Deposit Accounts" and Diplomatic accounts are exempted from AIT.

Withholding Tax has been re-introduced on Services Fees paid to Individuals and the Rent paid any

person under the Inland Revenue (Amendment) Act No. 45 of 2022 effecting from 01st January 2023. If any individual including a sole proprietorship is paid with a service related fees as provided under the Section 85 - (1C) of the Inland Revenue (Amendment) Act No. 45 of 2022, the Withholding Tax agent or the service recipient has to deduct Withholding Tax at the rate of 5% on the total gross amount if such payment exceeds LKR 100,000.00 per calendar month.

Withholding Tax has re-introduced on Rent expenses paid to any person if such aggregate gross rent income surpasses or equal to LKR 100,000.00 for a calendar month at the rate of 10%.

5.22 Earnings per Share

The Group presents Basic and Diluted Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. Weighted average number of ordinary shares has been calculated as per LKAS 33 considering the theoretical ex-rights value per share and the adjustment factor applicable for Rights Issue.

5.23 Operating Segments

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 relate to transactions with any of the Group's other components.

The Group comprises the following major operating segments - Banking, Treasury and Property/Investments.

5.24 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "Direct Method" of preparing Cash Flows in accordance with the LKAS 7 "Statement of Cash Flows".

For the purpose of the Statement of Cash Flows, cash and cash equivalents include notes and coins on hand and highly liquid financial assets with original maturities of less than

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three months, which are subject to insignificant risk of changes in their value, and are used by the Bank in the management of its short-term commitments.

5.25 Deposit Insurance and Liquidity Support Scheme

In terms of the Banking Act Direction No 5 of 2010 "Insurance of Deposit Liabilities" issued on 27th September 2010 and subsequent amendments there to all Licensed Commercial Banks are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No 1 of 2010 issued under Sections 32 A to 32 E of the Monetary Law Act with effect from 01st October 2010. Deposits to be insured include demand, time and savings deposit liabilities and exclude the following.

- Deposit liabilities to member institutions
- Deposit liabilities to Directors, Key Management Personnel and other related parties as defined in Banking Act Direction No 11 of 2007 on Corporate Governance of Licensed Commercial Banks
- Deposit liabilities falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to Central Bank of Sri Lanka
- Vostro accounts of entities in the member institutions
- Deposit liabilities of overseas branches
- Promissory notes

Each Member Institutions shall pay a premium calculated on the total amount of deposits inclusive of any interest accrued, excluding the deposit liabilities stated above, as at the end of the quarter/month as may be determined by the Monetary Board, from time to time, to the Sri Lanka Deposit Insurance and Liquidity Support Fund.

Banks are required to pay a premium of 0.10% on eligible deposit liabilities if the Bank maintains a capital adequacy ratio of 14% or above as at the end of the immediately preceding financial year or a premium of 0.125% on eligible deposit liabilities for all other Licensed Commercial Banks calculated on the total amount of

eligible deposits as at the end of the quarter within a period of 15 days from the end of the quarter.

5.26 Reserves

5.26.1 Statutory Reserve Fund

The Statutory Reserve Fund is maintained as required in terms of the section 20 (1) and (2) of the Banking Act No. 30 of 1988. Accordingly, the Bank should transfer a sum equivalent not less than 5% out of net profit after taxation but before any dividend is declared to the Statutory Reserve Fund until the Statutory Reserve Fund is equal to 50% of the paid-up capital.

5.26.2 Capital Reserve

This reserve has been created in 1991 and the Debenture Redemption Reserve Fund was transferred to Capital Reserve in 2004.

5.26.3 Revaluation Reserve

This reserve has been created on revaluation of Land and Buildings of the Bank.

5.26.4 General Reserve

Consist of LKR 25 Mn. transferred in 1995 to General Reserve, LKR 2.7 Mn. transferred from Bad Debts Reserve and LKR 6 Mn. transferred from Contingency Reserve in 2002 to General Reserve.

5.26.5 Investment Fund Reserve

As per the Value Added Tax (Amendment) Act No. 09 of 2011 and Inland Revenue (Amendment) Act No. 22 of 2011, Bank transferred 8% on Value Addition attributable to Financial Services and 5% of taxable profits, from retained profits to Investment Fund Reserve with effect from 01st January 2011.

Operations of the investment fund account ceased with effect from 01st October 2014. With effect from 01st July 2014 guidelines on the operations of investment fund account shall not be applicable for the utilisation of capital funds recovered through loan repayments and maturity proceeds of long term Government Securities. Hence the Bank is required to reduce the value of the fund by an amount equivalent to capital funds recovered from loans and proceeds received from Government Securities at maturity with effect from 01st July 2014.

5.26.6 Fair Value Through Other Comprehensive Income Reserve

This represent the fair value changes of Available for Sale Investments prior to 01st January 2018 and fair value changes of Financial assets measured at fair value through other comprehensive income (FVOCI) since 01st January 2018.

Considering the unprecedented changes in the macro-economic conditions, The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued the "Statement of Alternative Treatment (SoAT) on Reclassification of Debt Portfolio" which provides a temporary practical expedient to permit the entities to reclassify the debt portfolio measured at Fair Value through Other Comprehensive Income (FVOCI) to Amortised cost.

The Bank has adopted the above SoAT and re-classified its Debt Portfolio from Fair Value Through Other Comprehensive Income (FVOCI) to Amortised Cost (AC) with effect from 01st April 2022.

5.26.7 Cash Flow Hedge Reserve

This has been created to account fair value changes of designated hedging instruments under cash flow hedges.

5.27 Events after the Reporting Period

Events occurring after the reporting date are those events, favourable and unfavourable, that occur between the reporting date and the date the Financial Statements are authorised for issue.

All material and important events which occur after the reporting date have been considered and disclosed in Note 50 to the Financial Statements or adjusted as applicable.

5.28 Accounting Standards Issued but not yet Adopted

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards (SLFRSs/LKASs) which will become applicable for financial periods beginning after 01st January 2023. Accordingly, the Group has not applied the following new standards in preparing these Financial Statements.

i) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to Sri Lanka Accounting Standard LKAS 12 – “Income Taxes”)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 01st January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other types of transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. There will be no impact on retained earnings on adoption of the amendments.

ii) Sri Lanka Accounting Standard - SLFRS 17 “Insurance Contracts” effective from 01st January 2025

SLFRS 17 introduces a new measure of insurance revenue, based on the delivery of services to policy holders and excluding any premiums related to the investment elements of policies, which will be significantly different from existing premium revenue measures, currently reported in the income statement. In order to transition to SLFRS 17, the amount of deferred profit, being the CSM at transition date, needs to be determined.

SLFRS 17 will not be applicable to the Group/Bank.

iii) Other New Accounting Pronouncements

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Disclosure of accounting policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) - effective for annual periods beginning on or after 01st January 2023.
- Definition of accounting estimates (Amendments to LKAS 8) - effective for annual periods beginning on or after 01st January 2023.

6. Financial Risk Management

Introduction and Overview

The Bank has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Banks' risk management framework. The Board discharges its governance responsibility through the Board Integrated Risk Management Committee, the Board Audit Committee and the Board Credit Committee. Board Integrated Risk Management Committee consists of non-executive members who report regularly to the Board of Directors on their activities. There are several executive management sub committees such as the Executive Market and Operational Committee, Asset and Liability Committee (ALCO), Executive Credit Management Committee and IT Steering Committee, which focus on specialised risk areas that support the Board Integrated Risk Management Committee.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank and the Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures. The Board Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

For risk management purposes, credit risk arising on financial assets measured at fair value through profit or loss is managed independently and information thereon is disclosed below. The market risk in respect of changes in fair value in financial assets measured at fair value through profit or loss arising from changes in market credit spreads applied to debt securities and derivatives included in trading assets is managed as a component of market risk, further details are provided in market risk section.

Management of Credit Risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its Board Credit Committee. Bank Credit Risk Monitoring Unit reporting to the Executive Credit Risk Management Committee through the Chief Risk Officer is responsible for management of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated

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to business unit Credit Officers. Larger facilities require approval by Heads of Credit, Board Credit Committee or the Board of Directors as appropriate.

- Reviewing and assessing credit risk. Heads of Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Heads of Credit who may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.
- Regular audits of business units and Bank Credit processes are undertaken by Internal Audit.

Exposure to Credit Risk

The table below set out information about credit quality of financial assets and allowance for impairment / expected credit losses held by the Bank against those assets. This table does not include off-balance sheet commitments (undrawn balances) and contingent facilities.

Credit Quality Analysis

	2022				2021
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Total LKR '000
Financial Assets at Amortised Cost : Loans and Advances					
Gross Loans and Advances	388,076,563	40,678,022	61,677,299	490,431,884	465,905,493
Expected Credit Loss Allowance	(6,207,450)	(6,450,019)	(33,554,907)	(46,212,376)	(23,928,831)
Total Net Loans and Advances	381,869,113	34,228,003	28,122,392	444,219,508	441,976,662
Financial Assets at Amortised Cost : Debt and Other instruments					
Government Securities - Treasury Bills	6,052,565	-	-	6,052,565	-
Government Securities - Treasury Bonds	85,560,849	-	-	85,560,849	42,556,755
Sri Lanka Development Bonds	-	2,583,970	-	2,583,970	7,341,503
Sri Lanka International Sovereign Bonds	-	12,842,058	-	12,842,058	7,855,277
Quoted Debentures	294,732	-	-	294,732	294,732
Unquoted Debentures	595,383	-	-	595,383	602,755
Securities Purchased under Resale Agreements	3,628,549	-	-	3,628,549	10,029,031
Total Financial Investments Measured at Amortised Cost	96,132,078	15,426,028	-	111,558,106	68,680,053
Expected Credit Loss Allowance	(118)	(5,399,110)	-	(5,399,228)	(687,604)
Net Financial Investments Measured at Amortised Cost	96,131,960	10,026,918	-	106,158,878	67,992,449
Cash and Cash Equivalents (Balances with Banks)					
Balances with Local Banks	548,410	-	-	548,410	70,760
Balances with Foreign Banks	28,981,507	-	-	28,981,507	6,849,053
Total Balances with Banks	29,529,917	-	-	29,529,917	6,919,813
Expected Credit Loss Allowance	(147,650)	-	-	(147,650)	(34,599)
Net Balances with Banks	29,382,267	-	-	29,382,267	6,885,214
Placements with Banks and Finance Companies					
Term Deposits with Banks	1,828,177	-	-	1,828,177	8,288,351
Total Placements with Banks and Finance Companies	1,828,177	-	-	1,828,177	8,288,351
Expected Credit Loss Allowance	(9,141)	-	-	(9,141)	(41,442)
Net Placements with Banks and Finance Companies	1,819,036	-	-	1,819,036	8,246,909

The following table provides an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in expected credit loss allowance.

	2022		
	Impact: Increase/ (Decrease)		
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000
Financial Assets at Amortised Cost : Loans and Advances - Expected Credit Loss			
Increase in Lending Portfolio (Including Rescheduled/Restructured/Stress Tested Facilities)	2,617,372	3,253,878	5,161,835
Loans and Advances Recoveries	(626,278)	(621,592)	(3,104,001)
Bucket Net Movements and Changes in Loss Rates	1,359,272	1,751,795	10,957,325
Increase in Interest Accrued on Impaired Loans and Advances	-	-	698,299
Financial Assets at Amortised Cost : Debt and Other Instruments			
Increase in Expected Credit Loss Allowance for Foreign Currency Denominated Instruments due to Country Downgrading	-	4,711,624	-
Cash and Cash Equivalents (Balances with Banks)			
Increase in Carrying Amount of Balances	113,051	-	-
Placements with Banks and Finance Companies			
Decrease in Investments in Placements with Banks and Finance Companies	(32,301)	-	-
Undrawn Credit Commitments and Financial Guarantees			
Decrease in Undrawn Commitments and Financial Guarantees and Increase in Loss Rates	(139,509)	-	-
Other Receivables			
Increase in Carrying Amount of Balances	-	-	347,246

Measurement of Expected Credit Losses (ECL)

Inputs, assumptions and techniques used for estimating impairment under SLFRS 9 is disclosed under Accounting Policies Note 5.4.5.

Significant Increase in Credit Risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information.

The Group uses a backstop of 30 days past due for determining whether there is a significant increase in credit risk.

The Bank continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12 month ECL or lifetime ECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.

Incorporation of Forward-Looking Information

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for credit risk GDP growth, unemployment rates, inflation, exchange rates and interest rates.

The Group formulates multiple economic scenarios to reflect base case, best case and worst case.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable.

Notes to the Financial Statements

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Collateral Held and other Credit Enhancement

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are updated regularly. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities.

An estimate made at the time of borrowing of the fair value of collateral and other security enhancements held against loans and advances to customers is given below and the value of collateral has been restricted to the value of the loans outstanding balances.

Collateral Type	2022	2021
	LKR '000	LKR '000
Documentary Bills (Excluding Export Bills Purchased at Current Exchange Rate)	-	11,506
Government Securities	25,238	1,566,507
Stocks, Bonds, Debentures, Sundries including Life Policies	8,814,077	5,107,783
Fixed, Savings, other Deposits and Pawning	72,070,328	61,904,899
Stock in Trade	820,887	114,352
Immovable Property Plant and Machinery	128,591,696	145,365,169
Personal Guarantees and Promissory Notes	8,615,821	11,268,486
Trust Receipts	581,793	1,315,000
Leasing Agreements and Motor Vehicles	24,755,758	25,950,202
Other Securities	145,727,751	117,358,585
	390,003,349	369,962,489
On Clean Basis	107,825,164	101,649,548
Total *	497,828,513	471,612,037

*Loans and advances outstanding amount with interest receivable (without LKAS adjustments).

The table below sets out principal types of collateral and their approximate collateral percentages that are held against different types of financial assets.

Type of Credit Exposure	Principal Type of Collateral Held for Secured Lending	Percentage of Exposure that is Subject to an Arrangement that Requires Collateralisation	
		2022	2021
Derivative Financial Instruments	None	-	-
Loans and Advances to Banks			
Securities Purchased under Resale Agreements	Marketable Securities	100%	100%
Placements with Banks and Finance Companies	None	-	-
Loans and Advances to Retail Customers			
Mortgage Lending	Residential Property	100%	100%
Credit Cards	None/Limited Cash Deposits	-	-
Personal Loans	None/Guarantors	-	-
Loans and Advances to Other Customers			
Finance Leases	Motor Vehicles and Equipment	100%	100%
Other Lending to Other Customers	Commercial Property, Floating Charges Over Other Loans and Advances	78%	78%*
Securities Purchased under Resale Agreements	Marketable Securities	100%	100%

*Based on the exposure covered with collateral.

Details of financial and non-financial assets obtained by the Bank as at 31st December 2022 by taking possession of collateral held as security (foreclosed) against loans and advances as well as calls made on credit enhancements and held as at the year-end are shown below.

Foreclosed Properties	2022		2021	
	Loans and Advances LKR '000	Forced Sale Value of Foreclosed Collateral LKR '000	Loans and Advances LKR '000	Forced Sale Value of Foreclosed Collateral LKR '000
Balance as at 01st January	5,399,630	8,395,553	3,863,130	8,232,066
Additions During the Year	1,213,152	1,069,250	1,779,278	1,663,240
Disposal During the Year	(1,106,497)	(918,550)	(242,778)	(735,673)
Valuation Changes	-	(404,771)	-	(764,080)
Balance as at 31st December	5,506,285	8,141,482	5,399,630	8,395,553

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner.

Concentrations of Credit Risk

The Bank monitors concentrations of credit risk by industry and by geographic location.

An analysis of concentrations of credit risk of loans and advances by industry at the reporting date is shown in Note 25.1.3 to the Financial Statements. Credit related off-balance sheet commitments are disclosed in Note 47 to the Financial Statements.

Concentration by location for loans and advances, contingent liabilities and commitments are measured based on the location of the Branch entity holding the asset, which has a high correlation with the location of the borrower. These are given in Geographical Analysis (page 282).

The table below shows the carrying amounts of the Bank's exposures to other financial instruments.

	2022 LKR '000	2021 LKR '000
Financial Assets recognised through Profit or Loss - measured at Fair Value	17,781,867	4,969,913
Derivative Financial Instruments	519,189	290,141
Investment Securities :		
Financial Assets measured at Fair Value through Other Comprehensive Income	17,136,286	39,104,536
Financial Assets at Amortised Cost - Debt and Other instruments	106,158,878	67,992,449

Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of Liquidity Risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses to the Bank.

Bank Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Bank Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The liquidity requirements of business units and subsidiary are met through short-term loans from Bank and Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Bank. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Bank relies on deposits from customers and banks, and debt securities and subordinated liabilities as its primary sources of funding. While the Bank's debt securities and subordinated liabilities have maturities of five years, deposits from customers and banks generally have shorter maturities and a large proportion of them are repayable on demand. The short-term nature of these deposits increases the Bank's liquidity risk and the Bank actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

Notes to the Financial Statements

Exposure to Liquidity Risk

The key measure used by the Bank for managing liquidity risk is the ratio of liquid assets to deposits from customers and other liabilities. For this purpose, liquid assets are considered as including cash and cash equivalents and investment for which there is an active and liquid market. A similar calculation is used to measure the Bank's compliance with the liquidity limit established by the, Central Bank of Sri Lanka. Details of the reported Bank ratio of net liquid assets to liabilities from customers at the reporting date and during the year were as follows:

	2022		2021	
	DBU %	FCBU %	DBU %	FCBU %
At 31st December	25.16	25.02	22.84	23.30
Average for the year	23.23	22.99	26.01	23.00
Maximum for the year	26.29	25.02	29.84	23.51
Minimum for the year	19.44	21.05	21.75	22.61

The liquid assets ratio of the overall Bank as at 31st December 2022 was 25.51% (22.97% as at 31st December 2021).

Maturity analysis for the financial liabilities is shown below with their undiscounted contractual cash flows over the future periods.

Financial Liabilities – 2022

	Less than 3 Months LKR '000	3 Months to 1 Year LKR '000	1 -5 Years LKR '000	More than 5 Years LKR '000	Total LKR '000
Non - Derivative Liabilities					
Due to Banks and Other Borrowers	562,841	-	14,139,162	-	14,702,003
Financial Liabilities at Amortised Cost due to Depositors	213,064,805	313,280,948	44,088,080	14,330,088	584,763,921
Debt Securities Issued	4,619,129	4,256,853	15,981,775	2,317,227	27,174,984
Financial Liabilities at Amortised Cost due to Debt Securities Holders	12,008,951	26,600	-	-	12,035,551
Lease Liabilities	95,303	255,609	1,316,152	3,434,183	5,101,247
Derivative Liabilities					
Derivative Financial Instruments	906,813	-	-	-	906,813

Financial Liabilities - 2021

	Less than 3 Months LKR '000	3 Months to 1 Year LKR '000	1 -5 Years LKR '000	More than 5 Years LKR '000	Total LKR '000
Non - Derivative Liabilities					
Due to Banks and Other Borrowers	4,047,619	3,993,645	19,199,219	-	27,240,483
Financial Liabilities at Amortised Cost due to Depositors	204,292,252	267,842,657	21,833,204	11,450,907	505,419,020
Debt Securities Issued	606,570	633,605	24,714,730	2,965,255	28,920,160
Financial Liabilities at Amortised Cost due to Debt Securities Holders	2,613,586	84,867	-	-	2,698,453
Lease Liabilities	74,655	207,534	931,656	3,675,753	4,889,598
Derivative Liabilities					
Derivative Financial Instruments	217,179	-	-	-	217,179

To manage the liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents and Government Securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements.

Liquidity Reserve

The table below sets out the components of Bank's liquid assets that are held for the liquidity purpose.

	2022	
	Carrying Amount LKR '000	Fair Value LKR '000
Cash and Cash Equivalents *	40,254,514	40,254,514
Placements with Banks and Finance Companies	1,819,036	1,819,036
Balances with Central Bank of Sri Lanka *	16,784,172	16,784,172
Treasury Bills/ Bonds net of Repos	132,141,153	106,145,967
Bills Purchased *	6,375,610	6,375,610
Total Liquidity Reserve	197,374,486	171,379,300

* The carrying amounts approximate their fair values as they are short term in nature (less than twelve months).

Liquidity Coverage Ratio

The Bank has a Liquidity Coverage Ratio (LCR) as defined by the regulator. The LCR is intended to promote the short-term resilience of a bank's liquidity risk profile over a 30 day period. The ratio is defined as the amount of High Quality Liquid Assets (HQLA) that could be used to raise liquidity, measured against the total volume of net cash outflows, arising from both actual and contingent exposures, in a stressed scenario.

The LCR complements the Bank's stress testing framework. By maintaining a ratio in excess of minimum regulatory requirements, the LCR seeks to ensure that the Bank holds adequate liquidity resources to mitigate a short-term liquidity stress.

Commencing from 01st April 2015, all commercial banks maintained Liquidity Coverage Ratios (LCR) as prescribed by CBSL in respect of Rupee Liquidity Minimum Requirement for local currency operations and All Currency Liquidity Minimum Requirement for the overall operations effective from 01st January 2019 onwards 100%. As per Banking Act Direction No. 08 of 2022 dated 18th November 2022, Licensed Commercial Banks were permitted to maintain LCR at a level of 90% up to 31st December 2022, as a short term measure to allow further time to adjust the liquidity profiles.

The following were the Liquidity Coverage Ratios (%) of the Bank as at 31st December:

	2022	2021
Rupee Liquidity Requirement for Local Currency Operations	280.14	163.02
All Currency Liquidity Requirement for the Overall Operations	175.10	132.70

The table below sets out the availability of financial and non-financial assets held by the Bank on the basis of being encumbered or unencumbered as of 31st December:

	2022				2021			
	Encumbered		Unencumbered		Encumbered		Unencumbered	
	Pledged as Collateral LKR '000	Other LKR '000	Other LKR '000	Total LKR '000	Pledged as Collateral LKR '000	Other LKR '000	Other LKR '000	Total LKR '000
Cash and Cash Equivalents	-	40,254,514	40,254,514	-	-	16,079,054	16,079,054	
Placements with Banks and Finance Companies	-	-	1,819,036	1,819,036	-	-	8,246,909	8,246,909
Financial Assets recognised through Profit or Loss - Measured at Fair Value	2,924,108*	-	14,857,759	17,781,867	-	-	4,969,913	4,969,913
Financial Assets at Amortised Cost - Loans and Advances	-	-	444,219,508	444,219,508	-	-	441,976,662	441,976,662
Financial Assets measured at Fair Value through Other Comprehensive Income / Financial Assets at Amortised Cost	19,967,436*	-	103,327,728	123,295,164	8,174,885*	-	98,922,100	107,096,985
Other Assets	-	-	45,435,555	45,435,555	-	-	29,207,388	29,207,388
Total Assets	22,891,544	-	649,914,100	672,805,644	8,174,885	-	599,402,026	607,576,911

* Financial asset values pledged against Repos.

Notes to the Financial Statements

Contingency Funding Plan

The Bank has put in place a comprehensive Contingency Funding Plan (CFP) to be used during a liquidity crisis to endure adverse situations.

The CFP helps to monitor liquidity risk, ensure that an appropriate amount of liquid assets are maintained and ensure funding requirements can be met at various scenarios, and manage access to funding sources.

In a stress situation, management has little time to plan its strategy, and as such the management understands importance to have a well-developed contingency liquidity funding plan prior to a stress occurring.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

	2022			2021		
	Carrying Amount LKR '000	Trading Portfolios LKR '000	Non-Trading Portfolios LKR '000	Carrying Amount LKR '000	Trading Portfolios LKR '000	Non-Trading Portfolios LKR '000
Assets Subject to Market Risk						
Financial Assets Recognised through Profit or Loss - Measured at Fair Value	17,781,867	17,781,867	-	4,969,913	4,969,913	-
Derivative Financial Instruments	519,189	519,189	-	290,141	290,141	-
Placements with Banks and Finance Companies	1,819,036	-	1,819,036	8,246,909	-	8,246,909
Financial Assets at Amortised Cost - Loans and Advances	444,219,508	-	444,219,508	441,976,662	-	441,976,662
Financial Assets measured at Fair Value through Other Comprehensive Income	17,136,286	-	17,136,286	39,104,536	-	39,104,536
Securities Purchased under Resale Agreements	3,628,549	-	3,628,549	10,029,031	-	10,029,031
	485,104,435	18,301,056	466,803,379	504,617,192	5,260,054	499,357,138
Liabilities Subject to Market Risk						
Derivative Financial Instruments	906,813	906,813	-	217,179	217,179	-
Due to Depositors	547,315,755	-	547,315,755	488,653,328	-	488,653,328
Debt Securities Issued	21,617,455	-	21,617,455	21,617,455	-	21,617,455
Due to Banks	12,158,030	-	12,158,030	24,504,387	-	24,504,387
Due to Other Borrowers	7,483	-	7,483	7,295	-	7,295
Due to Debt Securities Holders	11,944,370	-	11,944,370	2,662,377	-	2,662,377
	593,949,906	906,813	593,043,093	537,662,021	217,179	537,444,842

Management of Market Risk

Market Risk Management reporting creates transparency on the risk profile and facilitates understanding of core market risk drivers to all levels in the Bank. The Management and Board Committees receives regular reporting, as well as ad hoc reporting on market risk and liquidity risk and the impact on capital and earnings through stress testing. The Risk Committees Executive Market and Operation Risk Management Committee (EMORMC) and Asset and Liability Committee (ALCO) receive risk information at a number of frequencies, including monthly and quarterly.

Additionally, Market Risk Management produces daily and weekly market risk specific reports and daily limit utilisation reports for the risk exposures generated through Treasury and other business units.

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are held by the Bank's Treasury Department, and include positions arising from market making and also held with a view to earn a profit of financial assets and liabilities that are managed on a fair value basis.

The overall authority for market risk is vested in ALCO. The Bank's Market Risk Management Unit is responsible for the development of detailed market risk management policies which is overseen by the EMORMC or ALCO and is subject to review by BIRMC and approved by the Board.

Managing Market Risk

Sri Lanka continued to face a multidimensional crisis during the year as well as during the preceding year. The banking industry faced unprecedented challenges as a result of fiscal and monetary stimulus and the severe shortage of dollar liquidity in the market. Due to the aftereffects of the COVID 19 pandemic and the escalating interest rates, exchange rates and inflationary pressure; the banking industry as a whole was under immense stress managing the domestic economic activities during the year 2022. The effects of various policies and regulations which were put into place from time to time to mitigate the adverseness of the economic conditions continued through 2022 even though Monetary Policy decisions were taken in order to maintain price stability and liquidity flows. Thus the Central Bank of Sri Lanka (CBSL), during the year, took a number of measures to support the revival of domestic economic activities in the context of the battle with inflationary pressure and external and internal pressure that the country faced throughout the year. As a result, the Bank also while facing many challenges to manage market and liquidity risk, prudently managed these uncertainties and was able to overcome the many market constraints that were met due to these adverse economic conditions.

Taking into consideration the above; the Bank, having employed a range of tools to manage market risk, looks in to the following when monitoring and managing market risk.

Non-trading Market Risk

Non trading market risk arises primarily from outside activities of trading units, in the banking book and from on- balance sheet or off-balance sheet items. Significant market risk factors the Bank is exposed to and are overseen by risk management committees are:

- Interest rate risk (including risk embedded in behavioural patterns for certain product types)
- Market risks from off-balance sheet items such as foreign exchange risk of the hedging instruments such as SWAPs.

Interest Rate Risk

Typically, interest rate risk is split into two components: traded interest rate risk and non-traded interest rate risk. While the traded interest rate risk is relevant to trading activities and its affects, the latter is often referred to as interest rate risk on the balance sheet or to the banking book and arises from the Banks core banking activities.

Interest Rate Risk in the Banking Book (IRRBB)

Interest rate risk in the banking book is the risk to both the Bank's capital and earnings, arising from movements in interest rates, which affect the banking book exposures. This includes maturity mis-matches of the interest bearing assets and liabilities, which describes the impact of relative changes in interest rates for financial instruments that are priced using different interest rate curves.

In this sense, the Bank manages the Interest Rate Risk in the Banking Book (IRRBB) exposures using both Earnings at Risk (EAR) and Economic Value of Equity (EVE) measures. Economic value based measures look at the change in economic value of banking book of assets, liabilities and off-balance sheet exposures resulting from interest rate movements, independent of the accounting treatment. Thereby the Bank measures the change in Economic Value of Equity (EVE) of the banking book under standard scenarios. IRRBB is considered as an essential tool to monitor the risk of product repricing and the impact it has on Earnings as well as Equity. The Bank's primary focus is to achieve the desired overall interest rate profile which may change over time based on management's short and longer term view of interest rates and economic conditions.

The interest rate position of the Bank is that the duration of the liabilities to some extent is lesser than the duration of the assets in the shorter tenors of the repricing profile. Given this mismatch, under normal circumstances increasing interest rates will have a negative impact on the interest income of the Bank. On the other hand, as liabilities re-price more quickly than assets, this would then support the Banks' net interest income.

The Bank manages the interest rate risks primarily through interest sensitive asset and liability repricing gap analysis, which distributes rate sensitive assets and liabilities into the relevant repricing maturity buckets. Board defined limits are in place for interest rate gaps and positions, which are monitored on a periodic basis to ensure compliance to the prescribed limits. The interest rate risk is also managed using the re-pricing maturity mis-match gaps by using Funds Transfer Pricing (FTP) techniques to take advantage in optimal gains. Through FTP; portfolios are hedged; and the Bank ensures that interest rate risk between lending and funding in each time bucket remains low. The majority of the Bank's interest rate risk, therefore, stems from the unhedged portion of assets and liabilities. The Treasury division is delegated to manage the interest rate risk centrally on an ongoing basis, where Risk Management Unit acts as the second line of defence on an independent oversight function.

Earnings-based measures look at the expected change in Net Interest Income (NII), compared to some defined benchmark scenarios, over a defined time horizon resulting from interest rate movements. Thereby the Bank measures the sensitivity of the Bank's interest sensitive assets and liabilities to a parallel shift to various interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) and a 200 bp parallel fall or rise in all yield curves over a period of 12 months' horizon.

Notes to the Financial Statements

The Projected Impact Analysis on EAR as at 31st December is depicted in the table below:

	100 bp Parallel Increase LKR Mn.	100 bp Parallel Decrease LKR Mn.	200 bp Parallel Increase LKR Mn.	200 bp Parallel Decrease LKR Mn.
Sensitivity of Projected Net Interest Income 2023 (EAR)				
As at 31st December 2022	(443)	443	(886)	886
As at 31st December 2021	(931)	931	(1,861)	1,861

Maturity Gaps

The Management and Board defines the liquidity and funding risk strategy for the Bank, as well as the risk appetite, based on recommendations made by the Risk Committee. At least annually the Board Risk Management Committee reviews and approves the limits which are applied to the Bank to measure and control liquidity risk as well as our long-term funding plan.

While such risk monitoring is mainly based on the stock approach through ratios and risk levels approved as per the risk appetite of the Bank, another method of managing and monitoring liquidity risk is using the flow approach tools which is the popular maturity mis-match or Maturity Gap analysis.

A summary of the Bank's total assets and liabilities as at 31st December 2022, based on the remaining period at the reporting date to the respective Cash flow/ Maturity dates together with the maturity gaps are given below.

Maturity Gaps

	Carrying Amount LKR '000	Less than 3 Months LKR '000	3-12 Months LKR '000	1-5 Years LKR '000	More than 5 Years LKR '000
31st December 2022					
Interest Earning Assets					
Placements with Banks and Finance Companies	1,819,036	1,819,036	-	-	-
Loans and Advances	444,219,508	218,647,950	90,536,981	114,619,166	20,415,411
Financial Assets recognised through Profit or Loss / Financial Assets at Amortised Cost - Debt and Other Instruments/ Financial Assets measured at Fair Value through Other Comprehensive Income excluding Equities	135,947,861	37,446,605	40,332,471	45,182,183	12,986,602
Securities Purchased under Resale Agreements	3,628,549	3,628,549	-	-	-
Balances with Banks	602,617	16,000	586,617	-	-
Group Balances Receivable	24,235	24,235	-	-	-
Non-Interest Earning Assets	86,563,838	74,227,344	1,978,275	236	10,357,983
Total Assets	672,805,644	335,809,719	133,434,344	159,801,585	43,759,996
Interest Bearing Liabilities					
Due to Depositors	511,619,747	175,218,138	293,767,153	32,684,151	9,950,305
Due to Banks and Other Borrowers	12,165,513	559,281	-	11,606,232	-
Due to Debt Securities Holders	11,944,370	11,919,051	25,319	-	-
Debt Securities Issued	21,617,455	4,516,350	3,909,355	11,582,750	1,609,000
Group Balances Payable	202,207	70,132	3,075	129,000	-
Lease Liabilities	5,101,247	95,303	255,609	1,316,152	3,434,183
Non-Interest Bearing Liabilities	110,155,105	54,803,809	493,213	407,785	54,450,298
Total Liabilities	672,805,644	247,182,064	298,453,724	57,726,070	69,443,786
Gaps	-	88,627,655	(165,019,380)	102,075,515	(25,683,790)

	Carrying Amount LKR '000	Less than 3 Months LKR '000	3-12 Months LKR '000	1-5 Years LKR '000	More than 5 Years LKR '000
31st December 2021					
Interest Earning Assets					
Placements with Banks and Finance Companies	8,246,909	8,246,909	-	-	-
Loans and Advances	441,976,662	207,815,418	89,963,347	123,639,517	20,558,380
Financial Assets recognised through Profit or Loss / Financial Assets at Amortised Cost - Debt and Other Instruments / Financial Assets measured at Fair Value through Other Comprehensive Income excluding Equities	99,302,657	9,632,870	20,011,001	58,124,092	11,534,694
Securities Purchased under Resale Agreements	10,029,031	10,029,031	-	-	-
Non-Interest Earning Assets	48,021,652	34,417,293	2,775,237	95	10,829,027
Total Assets	607,576,911	270,141,521	112,749,585	181,763,704	42,922,101
Interest Bearing Liabilities					
Due to Depositors	452,033,336	166,025,005	257,315,640	19,150,293	9,542,398
Due to Banks and Other Borrowers	24,511,682	3,997,968	3,804,643	16,709,071	-
Due to Debt Securities Holders	2,662,377	2,581,526	80,851	-	-
Debt Securities Issued	21,617,455	606,570	633,605	18,768,280	1,609,000
Group Balances Payable	179,134	47,059	3,075	129,000	-
Lease Liabilities	4,889,598	74,655	207,534	931,656	3,675,753
Non-Interest Bearing Liabilities	101,683,329	49,550,829	79,491	-	52,053,009
Total Liabilities	607,576,911	222,883,612	262,124,839	55,688,300	66,880,160
Gaps	-	47,257,909	(149,375,254)	126,075,404	(23,958,059)

Exposure to Other Market Risks

Share Investment and Price Risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of share indices and the value of individual stocks. These losses could arise because of changes in the value of listed shares held directly by the Bank under each investment category.

Based on the Bank's policies, Risk Management Unit ensures monitoring and reporting the risk in respect of share investments and its valuation methodologies are appropriate and consistent, and assesses the potential impact on earnings and capital.

Market risk limits for share investments are the framework to guide the share investments and for stop-losses. These limits are binding and monitored on a daily basis. Timely and accurate reporting helps the Treasury Investment Committee (TIC) to exercise exit strategies within the stop-loss limits and the Management Action Trigger limits (MAT limits).

The sensitivity analysis of our share investments helps the TIC to understand and mitigate the risk the Bank is exposed to due to the vulnerability of price risk.

Foreign Currency Risk

Foreign exchange rate risk arises from the movement of the rate of exchange of one currency against another, leading to an adverse impact on the Bank's earnings or equity. The Bank is exposed to foreign exchange rate risk that the value of a financial instrument or the investment in its foreign assets, may fluctuate due to changes in foreign exchange rates.

During the year, the banking sector experienced uncertainty in market situations due to the lack of foreign currency liquidity. This mostly led to the banking industry being unable to meet the expected levels in liability conversion transactions especially trade related transactions. The market also experienced a drop in asset conversion transaction such as the inward remittance and export bills. This situation led to a depreciation of USD/LKR rates, and saw the Sri Lanka rupee collapse from a level of LKR 200 to a level of LKR 360 to the US dollar. The exchange rate was having been pegged around LKR 360-363 levels to the US dollar since then.

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The Bank ensures all market risk measures are adhered as laid down in the latest directions published by the Central Bank as well as according to best market practices followed locally and globally.

Given below are the foreign currency exposures and their rupee equivalent in the major currencies, in which the Bank trades in.

	In Original Foreign Currency '000		Functional Currency of the Bank LKR '000	
	2022	2021	2022	2021
Net Foreign Currency Exposure				
Great Britain Pound	7.24	0.28	3,169.42	76.43
United States Dollar	3,589.55	(11,596.33)	1,303,401.50	(2,330,863.28)
Euro	8.76	5.22	3,392.05	1,188.92
Japanese Yen	(422.04)	44.85	(1,155.54)	78.32
Australian Dollar	1.60	2.51	394.08	365.74

An impact analysis of the foreign currency Net Open Position (NOP) was carried out applying shock levels of 5%, 10% and 15%, for depreciation on the current exchange rate and the impact on the overall foreign currency NOP (in USD) and the impact on Income Statement is shown in the table below.

NOP as on 31st December 2022			NOP as on 31st December 2021		
	USD '000	LKR '000		USD '000	LKR '000
NOP	4,130	1,501,992	NOP	(11,507)	(2,312,946)
At Shock Levels of	Revised Rupee Position LKR '000	Effect on Income Statement LKR '000	At Shock Levels of	Revised Rupee Position LKR '000	Effect on Income Statement LKR '000
5%	1,577,092	75,100	5%	(2,197,298)	(115,648)
10%	1,652,191	150,199	10%	(2,081,651)	(231,295)
15%	1,727,291	225,299	15%	(1,966,004)	(346,942)

Policy on Repurchase Agreements (Repo) and Reverse Repurchase Agreements (Reverse Repo)

The Bank enters in to Repo and Reverse Repo agreements which are often short term money market instruments. Repurchase agreements are designed to minimise counterparty credit risk during their term. Changes in the market value of these positions can give rise to a "margin deficit" or a "margin excess". Treasury Back Office does a daily Mark to Market of the Securities received and the Securities allocated under Repo and Reverse Repo facilities. This in turn is cross checked by the Treasury Middle Office and if a short fall is observed Treasury is alerted on the required Margin Calls.

Outstanding Repurchase and Reverse Repurchase Facilities as at 31st December are given below:

	2022		2021	
	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets measured at Fair Value		Outstanding Balance	Financial Assets measured at Fair Value	Outstanding Balance
Securities sold under Repo	22,891,544	19,383,355	8,174,885	7,416,313
Market Value of Securities Received		Outstanding Balance	Market Value of Securities Received	Outstanding Balance
Securities purchased under Reverse Repo	14,724,739	11,082,798	16,451,072	14,786,985

The Bank possess a haircut policy which is used to manage and monitor all Repo and Reverse Repo facilities against these haircut policies. The said policy specifies that all transactions should be covered by Government Securities with specified haircuts to cover price variations.

Reverse Repurchase Facilities

To cover the market risk in accepting Government Securities as collateral for Reverse Repo transactions the undernoted haircut policy is adopted:

	Reverse Repo	
	Up to 1 Week	More than 1 Week
Treasury Bonds and Bills		
Maturing within 5 years	10.00 %	12.50 %
Maturing between 5 – 10 years	12.50 %	15.00 %
Maturing between 10 – 15 years	17.50 %	20.00 %
Maturing between 15 – 20 years	22.50 %	25.00 %
Maturing between 20 – 30 years	27.50 %	30.00 %

Repurchase Facilities

Repo facilities are accepted against collateral of Government Securities. To cover the market risk in allocating Government Securities as collateral for Repo transactions, the undernoted haircut policy is adopted:

Remaining Term to Maturity of the Eligible Security	Minimum Haircut (%)
Up to 1 year	6%
More than 1 year and up to 3 years	8%
More than 3 years and up to 5 years	10%
More than 5 years and up to 8 years	10%
More than 8 years	12%

In case of interbank Repo and Reverse Repo transactions; Based on the Direction, No. 1 of 2019 issued under Registered Stock and Securities Ordinance and Local Treasury Bills Ordinance on "Reverse Repurchase Transactions of Dealer Direct Participants in Scripless Treasury Bonds and Scripless Treasury Bills" the following minimum haircut policy will be adopted:

Remaining Term to Maturity of the Eligible Security	Minimum Haircut (%)
Up to 1 year	4%
More than 1 year and up to 3 years	6%
More than 3 years and up to 5 years	8%
More than 5 years and up to 8 years	10%
More than 8 years	12%

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions; or

- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

Compliance with Bank standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board Audit Committee.

Capital Management

Capital Adequacy is a measure of a commercial bank's ability to withstand the associated risks of its business. Regulators find it necessary that every bank holds adequate capital to absorb unexpected losses as a going concern, while they price their products and services to take care of expected risks. Capital Adequacy Ratio (CAR) is measured under Basel II till 30th June 2017 and thereafter Basel-III and takes into account the Credit, Market and Operations risks. Keeping with the international standards of Basel Committee on Banking Regulations and Supervisory Practices, Sri Lanka has been following Basel III CAR calculation from 01st July 2017.

Available Capital

Basel III accord recognises three capital elements, namely CET 1 Capital, Additional Tier1 Capital and Tier 2 capital.

CET 1 capital includes equity capital, reserve fund, published retained earnings (accumulated retained

Notes to the Financial Statements

losses), general and other reserves, and unpublished current year's profit/ (losses) and gains reflected in OCI. Goodwill (net), other intangible assets, revaluation losses of PPE, deferred tax assets, cash flow hedge reserve, shortfall of the cumulative impairment to specific provisions, defined benefit pension fund assets, investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at CET 1 capital.

Additional Tier 1 capital includes qualifying instruments as per the regulatory directions. Investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at Additional Tier I capital.

Tier 2 capital includes qualifying tier 2 capital instruments, revaluation gains, and general provisions etc. Investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at Tier 2 capital.

As per the Banking Act Direction No 01 of 2016 dated 29th December 2016 on Capital Requirements under BASEL III which was effective from 01st July 2017 and the amendments thereto under Directions No 11 of 2019 dated 20th December 2019, the minimum required capital ratios to be maintained by the Bank are as follows.

- Every licensed bank shall maintain, at all times, the minimum capital ratios prescribed in the table below and shall ensure compliance with Schedule I to the Banking Act Directions No 01 of 2016 on Capital Requirements under Basel III for licensed banks.
- Licensed banks which are determined as Domestic Systemically Important Banks (D-SIBs) from time to time shall maintain Higher Loss Absorbency (HLA) requirements as specified by the Monetary Board in the form of Common Equity Tier 1(CET1), as given in the table below.

Components of Capital	Capital Adequacy Ratio to be maintained by Licensed Banks	Capital Adequacy Ratio to be maintained by Licensed Banks determined as D-SIBs
Common Equity Tier 1 including Capital Conservation Buffer	7.00%	7.00% + HLA
Total Tier 1 including Capital Conservation Buffer	8.50%	8.50% + HLA
Total Capital Ratio including Capital Conservation Buffer	12.50%	12.50% + HLA

HLA requirements as the minimum capital surcharge on D-SIBs are given below.

Bucket	HLA Requirement
	(CET1 as a % of risk- weighted assets)
3	2.0
2	1.5
1	1.0

As per the extraordinary regulatory measures implemented by the Central Bank of Sri Lanka in March 2020, due to the COVID-19 pandemic situation Domestic Systemically Important Banks (D-SIBs) and non D-SIBs are permitted to draw down their Capital Conservation Buffers by 100bps and 50bps out of the total of 250bps, respectively.

The Bank and the Group Capital Adequacy (Basel III) details as at 31st December are given below.

	Basel III 2022		Basel III 2021	
	Bank LKR Mn.	Group LKR Mn.	Bank LKR Mn.	Group LKR Mn.
Assets				
Total Risk Weighted Amount (including Off- Balance Sheet Items)	467,105	467,790	457,466	458,169
Risk Weighted Amount of Off-Balance Sheet Exposure	42,712	42,712	56,427	56,427
Capital				
Common Equity Tier 1 Capital	49,920	51,334	49,027	50,052
Total Tier 1 Capital	49,920	51,334	49,027	50,052
Total Capital	63,477	64,891	64,551	65,448
Capital Adequacy Ratios				
Common Equity Tier 1 Capital Ratio (%)	10.69	10.97	10.72	10.92
Tier 1 Capital Ratio (%)	10.69	10.97	10.72	10.92
Total Capital Ratio (%)	13.59	13.87	14.11	14.28

Fair Value of Financial Instruments

Determining Fair Values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy Note No 5.4.4. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The fair value hierarchy of financial instruments is given below:

- **Level 1** – fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2** – fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- **Level 3** – fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Valuation Models

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other risk premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates and equity.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognised valuation models for determining the fair value of common and simple financial instruments, such as foreign exchange forward contracts that use

only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is sensitive to the specific events and general conditions in the financial markets.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Bank believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the entity and the counterparty risk.

Valuation Framework

The Bank has an established control framework with respect to the measurement of fair values. This framework includes an oversight by the Market Risk function, which is independent of front office management. Market Risk has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- Verification of observable pricing;
- Re-performance of model valuations;
- A review and approval process for new models and changes to models involving both product control and group market risk;
- Quarterly calibration and back-testing of models against observed market transactions;
- Analysis and investigation of significant daily valuation movements; and
- Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of level 3 instruments compared with the previous period.

When third party information, such as broker quotes or pricing services, is used to measure fair value, market risk assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRSs/LKASs. This includes:

- Verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of Financial Instrument;
- Understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
- When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- If a number of quotes for the same Financial Instrument have been obtained, then how fair value has been determined using those quotes.

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Financial Instruments Measured at Fair Value – Fair Value Hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Statement of Financial Position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

	2022			2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets measured at Fair Value through Profit or Loss and Fair Value through Other Comprehensive Income						
Financial Assets recognised through Profit or Loss - measured at Fair Value	17,781,867	-	-	4,969,913	-	-
Derivative Financial Instruments	-	519,189	-	-	290,141	-
Financial Assets measured at Fair Value through Other Comprehensive Income	16,762,484	-	373,802	38,358,107	414,177	332,252
Financial Liabilities measured at Fair Value through Profit or Loss						
Derivative Financial Instruments	-	906,813	-	-	217,179	-

i. Level 3 Fair Value Measurements

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	2022	2021
	LKR '000	LKR '000
Financial Assets measured at Fair Value through Other Comprehensive Income (Level 3)		
Balance as at 01st January	332,252	294,175
Total Fair Value Gain/(Loss) in Other Comprehensive Income	41,550	38,077
Balance as at 31st December	373,802	332,252

ii. Unobservable Inputs used in measuring Fair Value

The table below sets out information about significant unobservable inputs used as at 31st December 2022 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type of Financial Instrument	Fair Values as at December 2022	Valuation Technique	Significant Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
	LKR '000			
Investment in Unquoted Equities	373,802	Net Assets Per Share	Price to Book Value Ratio (PBV) – 148.95	10% increase of PBV would increase the fair value by 10%

Financial Instruments not measured at Fair Value

The table below show a comparison of the carrying amounts, as reported on the Statement of Financial Position, and fair values of all financial assets and liabilities carried at amortised cost.

	31st December 2022		31st December 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets				
Cash and Cash Equivalents	40,254,514	40,254,514	16,079,054	16,079,054
Balances with Central Bank of Sri Lanka	16,784,172	16,784,172	8,725,834	8,725,834
Placements with Banks and Finance Companies	1,819,036	1,819,036	8,246,909	8,246,909
Financial Assets at Amortised Cost - Loans and Advances	444,219,508	439,845,139	441,976,662	440,861,944
Financial Assets at Amortised Cost - Debt and Other instruments	106,158,878	85,297,305	67,992,449	66,473,181
Other Financial Assets	11,265,428	11,265,428	6,710,409	6,710,409
Financial Liabilities				
Due to Banks	12,158,030	12,158,030	24,504,387	24,504,387
Due to Depositors	547,315,755	547,315,755	488,653,328	488,653,328
Due to Debt Securities Holders	11,944,370	11,944,370	2,662,377	2,662,377
Due to Other Borrowers	7,483	7,483	7,295	7,295
Debt Securities Issued	21,617,455	16,526,674	21,617,455	20,213,954
Lease Liabilities	5,101,247	5,101,247	4,889,598	4,889,598
Other Financial Liabilities	9,218,039	9,218,039	6,963,825	6,963,825

There are various limitations inherent in this fair value disclosure particularly where prices may not represent the underlying value due to dislocation in the market. Not all of the Bank's financial instruments can be exchanged in an active trading market. The Bank obtains the fair values for investment securities from quoted market prices where available. Where securities are unlisted and quoted market prices are not available, the Bank obtains the fair value by means of discounted cash flows and other valuation techniques that are commonly used by market participants. These techniques address factors such as interest rates, credit risk and liquidity.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

31st December 2022	Level I	Level II	Level III	Total
	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets				
Cash and Cash Equivalents	-	40,254,514	-	40,254,514
Balances with Central Bank of Sri Lanka	-	16,784,172	-	16,784,172
Placements with Banks and Finance Companies	-	1,819,036	-	1,819,036
Financial Assets at Amortised Cost - Loans and Advances	-	-	439,845,139	439,845,139
Financial Assets at Amortised Cost - Debt and Other Instruments	79,365,013	5,498,684	433,608	85,297,305
Other Financial Assets	-	-	11,265,428	11,265,428
Financial Liabilities				
Due to Banks	-	-	12,158,030	12,158,030
Due to Depositors	-	-	547,315,755	547,315,755
Due to Debt Securities Holders	-	11,944,370	-	11,944,370
Due to Other Borrowers	-	-	7,483	7,483
Debt Securities Issued	-	16,526,674	-	16,526,674
Lease Liabilities	-	-	5,101,247	5,101,247
Other Financial Liabilities	-	-	9,218,039	9,218,039

Notes to the Financial Statements

Given below are the methodologies and assumptions used in fair value estimates.

Cash and Cash Equivalents

The carrying amounts of cash and cash equivalents, approximate their fair value as those are short-term in nature and are receivable on demand.

Securities Purchased under Resale Agreements

These are short term reverse repurchase contracts which will be matured within twelve months from the reporting date and thus the carrying amounts of such contracts approximate to their fair values.

Loans and Advances

Approximately 70% of the total portfolio of loans and advances to customers has a remaining contractual maturity of less than one year.

The fair value of loans and advances with a maturity of more than one year is the present value of future cash flows expected to be received from such loans and advances calculated based on interest rates at the reporting date for similar types of loans and advances. Such loans include both fixed and floating rate loans. Majority of the floating rate loans can be re priced while for fixed rate loans, the loan contract allows the Bank to change the contracted rate if there is a material difference between the contracted rate and the market interest rate.

The Bank calculated the fair value of the leasing advances with a fixed interest rate and that will have a maturity of more than 12 months from the reporting date. Fair value of such leases as at 31st December 2022 was LKR 19,662 Mn. as against the carrying value which amounted to LKR 24,036 Mn.

Debt Securities at Amortised Cost

For the disclosure purpose the Bank has calculated the fair value of debt securities measured at amortised cost based on price formula applicable to such instruments at the reporting date. For the debentures measured at amortised cost fair value has been calculated using the market rate applicable for each instrument based on the remaining maturity period.

Liabilities

Bank and Other Borrowings

Approximately 4% of the amounts due to banks and others as at the reporting date have a remaining contractual maturity of less than one year. Majority of the balance amount comprised of floating rate instruments. Therefore fair value of amounts due to banks approximate to the carrying value as at the reporting date.

Deposits

More than 91% 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.

Securities Sold under Repurchase Agreement

Securities sold under repurchase agreements have a remaining contractual maturity of less than twelve months. Accordingly, carrying value of these borrowings would not be materially different to their fair values as at the reporting date.

Debentures

Debentures include fixed rate debentures. Fair value has been determined by discounting the future cash flows by the interest rates prevailing as at the reporting date for similar instruments. Accordingly the total debentures had a fair value of LKR 16,527 Mn. as at 31st December 2022 as against its carrying value which amounted to LKR 21,617 Mn.

7 Gross Income

For the Year ended 31st December	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Interest Income (Note 8.1)	86,068,611	46,770,415	86,106,337	46,781,204
Fee and Commission Income (Note 9.1)	6,697,136	4,784,698	6,697,059	4,784,426
Net Gains / (Losses) from Trading (Note 10)	(446,958)	(219,044)	(446,958)	(217,844)
Net Gains from Derecognition of Financial Assets (Note 11)	34,149	553,425	34,149	553,425
Net Other Operating Income (Note 12)	4,465,037	2,877,555	4,445,827	2,849,480
Total Gross Income	96,817,975	54,767,049	96,836,414	54,750,691

8 Net Interest Income

For the Year ended 31st December	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
8.1 Interest Income				
Placements with Banks	173,990	441,675	173,990	441,675
Financial Assets recognised through Profit or Loss				
- Measured at Fair Value				
- Government Securities (Note 8.3)	2,126,879	380,284	2,126,879	380,284
Financial Assets at Amortised Cost				
- Loans and Advances *	69,975,246	36,782,563	69,974,905	36,782,548
- Interest Accrued on Impaired Loans and Advances **	698,299	355,983	698,299	355,983
- Debt and Other instruments				
- Government Securities (Note 8.3)	9,567,019	5,146,545	9,597,787	5,149,716
- Debt Instruments	165,153	57,953	165,153	57,953
Financial Assets measured at Fair Value through Other Comprehensive Income				
- Government Securities (Note 8.3)	3,142,142	3,605,412	3,142,142	3,605,412
- Debt Instruments	-	-	7,375	7,373
Other	219,883	-	219,807	260
Total Interest Income	86,068,611	46,770,415	86,106,337	46,781,204
8.2 Interest Expenses				
Due to Banks	555,604	586,835	556,067	587,119
Financial Liabilities at amortised cost				
- Due to Depositors	39,483,231	19,440,612	39,478,105	19,438,467
- Due to Debt Securities Holders (Note 8.3)	2,427,924	153,055	2,426,688	152,473
- Due to Other Borrowers	286	416	286	416
Debt Securities Issued	2,589,596	2,548,392	2,572,396	2,531,192
Lease Liabilities	470,008	452,003	185,678	167,628
Total Interest Expenses	45,526,649	23,181,313	45,219,220	22,877,295
Net Interest Income	40,541,962	23,589,102	40,887,117	23,903,909

* Interest Income from Loans and Advances to customers includes modifications made to loans due to moratorium / debt concessionary schemes implemented by the Government as a measure to support the recovery of businesses / customers affected by COVID 19 pandemic and adverse economic conditions.

Interest Income adjustment of LKR 286,733,565.00 in 2022 (LKR 262,964,374.00 for 2021) on staff loans at preferential interest rates that included in interest income has been recognised as a staff benefit under personnel expenses.

** Interest Income on Loans and Advances includes interest accrued on impaired loans of LKR 698,298,661.00 in 2022 (LKR 355,982,890.00 for 2021) and corresponding debit entry has been recorded under impairment charges (Note 25.3).

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For the Year ended 31st December	Bank		Group	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
8.3 Net Interest Income from Sri Lanka Government Securities				
Interest Income	14,836,040	9,132,241	14,866,808	9,135,412
Less : Interest Expenses	2,427,924	153,055	2,426,688	152,473
Net Interest Income from Sri Lanka Government Securities	12,408,116	8,979,186	12,440,120	8,982,939

9 Net Fee and Commission Income

	Banking		Treasury		Property/ Investment		Unallocated/ Eliminations		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
9.1 Fee and Commission Income										
Comprising ;										
Loans	925,985	943,437	-	-	-	-	100	283	926,085	943,720
Cards	1,854,907	1,135,637	-	-	-	-	-	-	1,854,907	1,135,637
Trade and Remittances	1,764,191	1,009,945	-	-	-	-	-	-	1,764,191	1,009,945
Deposits	257,748	120,829	-	-	-	-	-	-	257,748	120,829
Guarantees	780,406	846,879	-	-	-	-	-	-	780,406	846,879
Other Financial Services	1,079,764	695,451	8,259	4,864	-	-	25,776	27,373	1,113,799	727,688
Total Fee and Commission Income-Bank	6,663,001	4,752,178	8,259	4,864	-	-	25,876	27,656	6,697,136	4,784,698
Subsidiary										
Deposits	-	-	-	-	-	-	(77)	(272)	(77)	(272)
Total Fee and Commission Income - Group	6,663,001	4,752,178	8,259	4,864	-	-	25,799	27,384	6,697,059	4,784,426
9.2 Fee and Commission Expenses										
Comprising ;										
Brokerage Fees	78	38	4,692	11,102	-	-	-	-	4,770	11,140
Loans/Cards	109,420	66,554	-	-	-	-	-	-	109,420	66,554
Other Financial Services	96,818	52,876	24,110	12,928	-	-	-	-	120,928	65,804
Total Fee and Commission Expenses-Bank	206,316	119,468	28,802	24,030	-	-	-	-	235,118	143,498
Subsidiary										
Brokerage Fees	-	-	-	-	734	452	-	-	734	452
Total Fee and Commission Expenses - Group	206,316	119,468	28,802	24,030	734	452	-	-	235,852	143,950
Total Net Fee and Commission Income - Bank	6,456,685	4,632,710	(20,543)	(19,166)	-	-	25,876	27,656	6,462,018	4,641,200
Total Net Fee and Commission Income - Group	6,456,685	4,632,710	(20,543)	(19,166)	(734)	(452)	25,799	27,384	6,461,207	4,640,476

10 Net Gains/(Losses) from Trading

For the Year ended 31st December	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Derivative Financial Instruments (Note 12.1)				
- From Banks	(481,382)	(166,735)	(481,382)	(166,735)
- From Other Customers	(7,698)	(25,175)	(7,698)	(25,175)
Financial Assets recognised through Profit or Loss - Measured at Fair Value*				
- Equities	-	-	-	1,200
- Government Securities	42,122	(27,134)	42,122	(27,134)
Total Net Gains/(Losses) from Trading	(446,958)	(219,044)	(446,958)	(217,844)

*Includes Net Capital Gains/(Losses) and Net Mark to Market Gains/(Losses).

11 Net Gains from Derecognition of Financial Assets

For the Year ended 31st December	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Financial Assets measured at Fair Value through Other Comprehensive Income				
- Government Securities	34,149	553,425	34,149	553,425
Total Net Gains from Derecognition of Financial Assets	34,149	553,425	34,149	553,425

12 Net Other Operating Income

For the Year ended 31st December	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Dividend Income				
- Equity Investments measured at Fair Value through Other Comprehensive Income - Quoted	1,987	7,340	1,987	7,340
- Equity Investments measured at Fair Value through Other Comprehensive Income - Unquoted	14,459	25,334	14,459	25,334
- Subsidiary - Seylan Developments PLC	146,065	125,199	-	-
Profit on Sale of Property, Plant and Equipment	2,283	10,323	2,283	10,323
Foreign Exchange Income (Note 12.1)	3,964,391	2,112,551	3,976,486	2,112,888
Recovery of Loans Written - Off	335,852	596,808	335,852	596,808
Rent and Other Income	-	-	114,760	96,787
Total Other Operating Income - Net	4,465,037	2,877,555	4,445,827	2,849,480

12.1 Foreign Exchange Income

Foreign exchange income represents both revaluation gain / (loss) on the Bank's net open position and realised exchange gain / (loss) on foreign currency transactions. Mark to market losses on derivative financial instruments amounting to LKR 489 Mn. (2021: loss LKR 192 Mn.) is reported under Note 10, 'Net Gains / (Losses) from Trading' as required by the Sri Lanka Accounting Standard SLFRS 9 (Financial Instruments) and foreign exchange income amounting to LKR 3,964 Mn. (2021: LKR 2,113 Mn.) is reported under Note 12, 'Net Other Operating Income'. Accordingly the corresponding gains on derivative financial instruments is included in the foreign exchange income, total foreign exchange income of the Bank for the year ended 31st December 2022 amounted to LKR 3,475 Mn. (2021: LKR 1,921Mn.).

Notes to the Financial Statements

13 Impairment Charges

For the Year ended 31st December	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Loans and Advances (Note 13.1)	21,447,905	8,985,084	21,447,905	8,985,084
Financial Assets Measured at Amortised Cost - Debt and Other Instruments (Note 26.5)	4,711,624	420,222	4,711,624	420,222
Financial Assets Measured at FVOCI (Note 27.7)	(14,940)	5,546	(14,940)	5,546
Cash and Cash Equivalents (Note 20.1)	113,051	25,806	113,051	25,806
Placements with Banks and Finance Companies (Note 22.1)	(32,301)	(12,480)	(32,301)	(12,480)
Undrawn Credit Commitments and Financial Guarantees (Note 43.3)	(139,509)	992,375	(139,509)	992,375
Other Financial Receivables (Note 35.1)	347,246	-	347,246	-
Property, Plant and Equipment	-	5,360	-	5,360
Total Impairment Charge	26,433,076	10,421,913	26,433,076	10,421,913
13.1 Loans and Advances				
Impairment Charges - Stage 1 (Note 25.3.1)	3,350,366	1,389,110	3,350,366	1,389,110
Impairment Charges - Stage 2 (Note 25.3.1)	4,384,081	1,123,924	4,384,081	1,123,924
Impairment Charges - Stage 3 (Note 25.3.1)	13,713,458	6,472,050	13,713,458	6,472,050
Total Impairment Charges - Loans and Advances	21,447,905	8,985,084	21,447,905	8,985,084

Impairment charges recognised against loans and advances include the overlay adjustments made outside ECL model using various stress testing techniques in order to address the potential implications of prevailing adverse economic conditions and continuing implications of COVID 19 outbreak and the resultant moratorium schemes introduced by the Government / Bank.

14 Operating Expenses

For the Year ended 31st December	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Operating Expenses include the following ;				
Directors' Emoluments *	123,451	95,691	126,846	98,571
Auditors' Remunerations				
- Audit Fees and Expenses	15,236	10,937	16,577	12,099
- Audit - Related Fees and Expenses	9,461	6,467	9,572	6,467
- Non - Audit Services	1,398	4,656	1,481	4,821
Depreciation - Freehold Property, Plant and Equipment (Note 30)	712,206	796,791	777,708	860,436
Depreciation - Right-of-use Assets (Note 31)	460,289	455,160	426,586	421,441
Depreciation - Investment Properties (Note 32)	-	-	26,665	20,071
Amortisation of Intangible Assets (Note 33)	185,420	177,518	185,420	177,518
Donations	574	565	1,525	1,365
Legal Expenses	127,810	121,604	129,228	122,234
Sri Lanka Deposit Insurance Fund Contribution	509,672	409,644	509,672	409,644
Crop Insurance Levy	46,734	45,151	46,734	45,151

* Directors' Emoluments include the salaries, benefits and fees paid to Executive and Non-Executive Directors of the Bank and the Group.

15 Personnel Expenses

For the Year ended 31st December	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Personnel Expenses include the Following:				
Salaries and Bonuses	5,518,013	5,246,083	5,543,181	5,267,320
Contribution to Employees' Provident Fund	554,220	509,498	557,201	511,711
Contribution to Employees' Trust Fund	138,558	127,392	139,303	127,945
Provision for Defined Benefit Obligations (Note 43.1.6)	314,729	(162,928)	314,579	(163,973)
Additional Gratuity Expense (Note 43.1.6)	162,386	39,101	162,386	39,101
Amortisation of Prepaid Staff Cost *	302,464	280,371	302,592	280,420
Other Staff Related Expenses	973,726	870,186	988,161	883,407
Total Personnel Expenses	7,964,096	6,909,703	8,007,403	6,945,931

* Includes prepaid staff cost on both staff loans and staff deposits.

16 Income Tax Expense

For the Year ended 31st December	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
16.1 Income Tax Expense Recognised in Income Statement				
16.1.1 Current Tax Expense				
- Tax on Current Year's Profits (Note 16.2)	5,643,038	1,918,662	5,704,578	1,945,448
- (Over Provision) / Under Provision in Respect of Previous Years {Refer Item (iv) below}	-	77,946	-	77,946
	5,643,038	1,996,608	5,704,578	2,023,394
16.1.2 Deferred Taxation				
- Charge/(Reversal) on Temporary Differences (Note 34)	(3,726,441)	(549,372)	(3,485,690)	(574,384)
	(3,726,441)	(549,372)	(3,485,690)	(574,384)
Total Income Tax Expense	1,916,597	1,447,236	2,218,888	1,449,010

- i The Inland Revenue (Amended) Act No.45 of 2022 was certified by the speaker on 19th December 2022. The standard rate of income tax has been increased from 24% to 30%. The increase in the income tax rate to 30% has resulted in two tax rates being applicable for the year of assessment 2022/23. The Bank and Group have computed the current tax based on the appropriate rates. Tax rate of 30% has been considered for the computation of deferred tax.
- ii As per Section 66(2) and 66(3) of the Inland Revenue Act No. 24 of 2017 the Commissioner General of Inland Revenue has specified the amount of impairment charges that can be deducted in accordance with the directives of Central Bank of Sri Lanka. Accordingly, the Gazette Notification issued under the reference of 2303/05 dated 25th October 2022 specifies that impairment charges for stage 3 credit facilities prepared in accordance with the Sri Lanka Accounting Standards (SLFRS 9) considered as allowable subject to the conditions laid out therein.
- iii The Seylan Developments PLC (subsidiary) has computed taxation based on the rate applicable for companies.
- iv The tax on profits for the year 2021 has been arrived after netting off the excess provision of Income Tax amounting to LKR 197.56Mn. Bank and Group have accounted for the reduction of Income Tax Rate from 28% to 24% with effect from 01st January 2020.
- v As per the Surcharge Tax Act No. 14 of 2022, a one off tax (for the value of LKR 1,168,335,036) was imposed on the Taxable Income declared in the return of income for the Y/A 2020/2021 at the rate of 25%. In line with the Statement of Alternative Treatment (SoAT) issued by CA Sri Lanka on 22nd April 2022, Surcharge Tax expense which is deemed to be an expenditure for the year of assessment which commenced on 1st April 2020, was recorded as an adjustment to the opening retained earnings reported in the Statement of Changes in Equity on 1st January 2022 and accordingly the said adjustment has been incorporated in the Financial Statements.

Notes to the Financial Statements

16.2 Reconciliation of the Accounting Profit to Income Tax Expense

For the Year ended 31st December	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Profit before Income Tax	6,628,860	6,027,776	6,796,658	6,184,680
Add : Disallowable Expenses				
- Impairment on Loans and Advances	21,447,905	8,985,084	21,447,905	8,985,084
- Impairment other than Loans and Advances	4,985,171	1,431,469	4,985,171	1,431,469
- Other Disallowable Expenses	5,998,543	5,444,188	5,998,543	5,448,555
Less : Allowable Expenses				
- Specific Provision (As per CBSL guideline)	-	8,153,424	-	8,153,424
- Impairment on Loans and Advances (Stage 03)	13,713,472	-	13,713,472	-
- Other Allowable Expenses	2,973,602	4,060,136	2,906,170	3,900,640
Less : Exempt Income	1,822,665	1,768,020	1,822,665	1,768,020
Less : Tax Losses Set-off (Note 16.3)	-	-	22,213	209,159
Assessable Income from Business	20,550,740	7,906,937	20,763,757	8,018,545
Assessable Income from Investments (Dividend Receipts)	146,333	149,979	146,333	149,979
Total Assessable Income	20,697,073	8,056,916	20,910,090	8,168,524
Taxable Income from Business	20,550,740	7,906,937	20,763,757	8,018,545
Taxable Income from Investments (Dividend Receipts)	146,333	149,979	146,333	149,979
Total Taxable Income	20,697,073	8,056,916	20,910,090	8,168,524
Tax on Current Year's Business Income at 24%	2,170,955	1,897,665	2,176,382	1,924,451
Tax on Current Year's Business Income at 30%	3,451,528	-	3,507,641	-
Tax on Current Year's Investment Income (Dividend Receipts) at 14%	19,529	20,997	19,529	20,997
Tax on Current Year's Investment Income (Dividend Receipts) at 15%	1,026	-	1,026	-
Tax on Total Taxable Income	5,643,038	1,918,662	5,704,578	1,945,448
(Over)/Under Provision in Respect of Previous Years	-	77,946	-	77,946
Transfer to Deferred Taxation (Note 16.4)	(3,726,441)	(549,372)	(3,485,690)	(574,384)
Total Income Tax Expense	1,916,597	1,447,236	2,218,888	1,449,010
Effective Income Tax Rate (%) (Note 16.5)	29	24	33	23
Effective Current Tax Rate (Excluding Deferred Tax) (%) *	85	32	84	31

* The difference of effective income tax rate and effective current tax rate arise due to the temporary differences between the tax base and the accounting base (i.e. impairment charges, depreciable assets, expense etc.)

For the Year ended 31st December	Bank				Group			
	2022		2021		2022		2021	
	Taxable Income LKR '000	Tax Expense LKR '000	Taxable Income LKR '000	Tax Expense LKR '000	Taxable Income LKR '000	Tax Expense LKR '000	Taxable Income LKR '000	Tax Expense LKR '000
Bank's Domestic Banking Unit and On-Shore Profits	21,211,456	5,643,038	8,050,229	1,917,057	21,424,473	5,704,578	8,161,837	1,943,843
Off-Shore Profits	(514,383)	-	6,687	1,605	(514,383)	-	6,687	1,605
	20,697,073	5,643,038	8,056,916	1,918,662	20,910,090	5,704,578	8,168,524	1,945,448

For the Year ended 31st December	Bank		Group	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
16.3 Tax Losses Brought Forward				
Tax Losses Brought Forward	-	-	22,213	231,372
Less: Tax Losses Utilised during the Year	-	-	22,213	209,159
Unutilised Tax Losses Carried Forward	-	-	-	22,213
16.4 Deferred Tax Charge/ (Reversal)				
Deferred Tax - Liabilities				
Property, Plant and Equipment	(20,322)	(50,297)	(20,448)	(50,383)
Lease Receivables	(118,841)	(130,709)	(118,841)	(130,709)
Right-of-use Assets	-	(54,763)	223,851	(138,993)
Expected Credit Loss Allowance	-	(151,701)	-	(151,701)
	(139,163)	(387,470)	84,562	(471,786)
Deferred Tax - Assets				
Leave Encashment Provision	1,076	(1,053)	1,076	(1,053)
Other Provisions	(47,166)	3,351	(47,166)	3,351
Enhanced Gratuity	(55,517)	98,905	(55,517)	98,905
Reversal of Revaluation Loss on Property, Plant and Equipment	-	(5,019)	-	-
Right-of-use Assets	30,330	-	-	-
Expected Credit Loss Allowance	3,636,217	-	3,636,217	-
Tax Losses Carried Forward	-	-	(3,998)	(50,198)
	3,564,940	96,184	3,530,612	51,005
Effect from Rate Change (28% to 24%)	-	(65,718)	-	(51,593)
Effect from Rate Change (24% to 30%)	(22,338)	-	(39,640)	-
Transfer to Deferred Taxation	(3,726,441)	(549,372)	(3,485,690)	(574,384)

16.5 Reconciliation of Effective Tax Rate

	Bank				Group			
	2022		2021		2022		2021	
	%	LKR'000	%	LKR'000	%	LKR'000	%	LKR'000
Profit Before Income Tax		6,628,860		6,027,776		6,796,658		6,184,680
Income Tax for the Period	28	1,866,721	24	1,446,666	28	1,917,061	24	1,484,323
Tax Effect of Expenses that are Not Deductible for Tax Purposes	134	8,888,645	64	3,806,578	131	8,888,645	61	3,807,626
Tax Effect of Expenses that are Deductible for Tax Purposes	(70)	(4,643,848)	(48)	(2,931,254)	(68)	(4,632,648)	(45)	(2,892,975)
Exempt Income	(7)	(489,035)	(7)	(424,325)	(7)	(489,035)	(7)	(424,325)
Adjustment / Tax Losses	-	-	-	-	-	-	(1)	(50,198)
(Over)/under Provision in Respect of Previous Years	-	-	1	77,946	-	-	1	77,946
Dividend	-	20,555	-	20,997	-	20,555	-	20,997
Deferred Taxation	(56)	(3,726,441)	(10)	(549,372)	(51)	(3,485,690)	(10)	(574,384)
Total Income Tax Expense (Note 16.2)	29	1,916,597	24	1,447,236	33	2,218,888	23	1,449,010

Notes to the Financial Statements

17 Basic/Diluted Earnings per Share

Basic Earnings Per Share has been calculated by dividing Profit after tax attributable to Equity Holders of the Bank by the weighted average number of Ordinary Shares in issue (Both Voting and Non-Voting) during the year ended 31st December 2022 and 2021.

Diluted Earnings per Share and the Basic Earnings per Share is the same due to non-availability of potentially dilutive Ordinary Shares.

	Bank		Group	
	2022	2021 Restated	2022	2021 Restated
Total Profit after Tax Attributable to Equity Holders of the Bank (LKR '000)	4,712,263	4,580,540	4,574,359	4,653,003
Weighted Average Number of Ordinary Shares as at 31st December ('000) (Note 17.1)	577,776	577,776	577,776	577,776
Basic/Diluted Earnings per Share (LKR)	8.16	7.93	7.92	8.05

17.1 Weighted Average Number of Ordinary Shares For Earnings per Share

	Bank/Group			
	2022		2021	
	Outstanding	Weighted Average	Outstanding	Weighted Average Restated
Number of Shares held as at 01st January	534,190,683	534,190,683	517,022,969	517,022,969
Add: Number of Shares issued - Scrip Dividend - 2021	-	-	17,167,714	17,167,714
Add: Number of Shares issued - Scrip Dividend - 2022	43,585,390	43,585,390	-	-
Number of Shares held as at 31st December	577,776,073	577,776,073	534,190,683	534,190,683
Restatement due to subsequent scrip issue *				43,585,390
Weighted Average Number of Ordinary Shares as at 31st December		577,776,073		577,776,073

*Weighted average number of ordinary shares as at 31st December 2021 has been restated based on the no of shares issued for scrip dividend in 2021 as per Sri Lanka Accounting Standard (LKAS 33) - "Earnings per Share".

18 Dividends

Ordinary Share Dividends	Bank/Group	
	2022 LKR '000	2021 LKR '000
Scrip Dividends	1,602,571	775,535
Gross Dividend	1,602,571	775,535

Proposed Dividend

The Board of Directors of the Bank has recommended the payment of a final dividend of LKR 2.00 per share for both voting and non-voting ordinary shareholders of the Bank to be paid by way of LKR 2.00 scrip dividend per share for the year ended 31st December 2022 (Bank declared a final dividend of LKR 3.00 per share for 2021 by way of scrip dividend per share).

The total dividend recommended by the Board of Directors is to be approved at the forthcoming Annual General Meeting to be held on 30th March 2023. Final dividend proposed for the year 2022 amounts to LKR 1,155,552,146.00 (LKR 1,602,572,049.00 for 2021).

In accordance with provisions of the Sri Lanka Accounting Standard (LKAS 10) – Events after the Reporting Period, the proposed final dividend has not been recognised as a liability as at year end.

As required by Section 56 of the Companies Act No 07 of 2007, the Board of Directors of the Bank satisfied the solvency test in accordance with the section 57, prior to recommending the final dividend.

19 Analysis of Financial Instruments by Measurement Basis

19.1 Bank

	2022			Total
	Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)	Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	Financial Assets Measured at Amortised Cost (AC)	
	LKR '000	LKR '000	LKR '000	LKR '000
Assets				
Cash and Cash Equivalents	-	-	40,254,514	40,254,514
Balances with Central Bank of Sri Lanka	-	-	16,784,172	16,784,172
Placements with Banks and Finance Companies	-	-	1,819,036	1,819,036
Derivative Financial Instruments	519,189	-	-	519,189
Securities Purchased under Resale Agreements	-	-	3,628,549	3,628,549
Customer Loans and Receivables	-	-	444,219,508	444,219,508
Debt Instruments	-	-	889,997	889,997
Equity Instruments	-	1,500,621	-	1,500,621
Government Securities	17,781,867	15,635,665	101,640,332	135,057,864
Group Balances Receivable	-	-	64,435	64,435
Other Financial Assets	-	-	11,265,428	11,265,428
Total Financial Assets	18,301,056	17,136,286	620,565,971	656,003,313
		Financial Liabilities Measured at Fair Value through Profit or Loss (FVTPL)	Financial Liabilities Measured at Amortised Cost (AC)	Total
		LKR '000	LKR '000	LKR '000
Liabilities				
Due to Banks	-	-	12,158,030	12,158,030
Derivative Financial Instruments	906,813	-	-	906,813
Due to Depositors	-	-	547,315,755	547,315,755
Securities Sold under Repurchase Agreements	-	-	11,944,370	11,944,370
Due to other Borrowers	-	-	7,483	7,483
Group Balances Payable	-	-	202,382	202,382
Debt Securities Issued	-	-	21,617,455	21,617,455
Lease Liabilities	-	-	5,101,247	5,101,247
Other Financial Liabilities	-	-	9,218,039	9,218,039
Total Financial Liabilities	906,813	906,813	607,564,761	608,471,574

Notes to the Financial Statements

	2021			Total	
	Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)	Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	Financial Assets Measured at Amortised Cost (AC)		
	LKR '000	LKR '000	LKR '000	LKR '000	
Assets					
Cash and Cash Equivalents	-	-	16,079,054	16,079,054	
Balances with Central Bank of Sri Lanka	-	-	8,725,834	8,725,834	
Placements with Banks and Finance Companies	-	-	8,246,909	8,246,909	
Derivative Financial Instruments	290,141	-	-	290,141	
Securities Purchased under Resale Agreements	-	-	10,029,031	10,029,031	
Customer Loans and Receivables	-	-	441,976,662	441,976,662	
Debt Instruments	-	-	897,371	897,371	
Equity Instruments	-	2,735,210	-	2,735,210	
Government Securities	4,969,913	36,369,326	57,066,047	98,405,286	
Group Balances Receivable	-	-	40,000	40,000	
Other Financial Assets	-	-	6,710,409	6,710,409	
Total Financial Assets	5,260,054	39,104,536	549,771,317	594,135,907	
			Financial Liabilities Measured at Fair Value through Profit or Loss (FVTPL)	Financial Liabilities Measured at Amortised Cost (AC)	Total
			LKR '000	LKR '000	LKR '000
Liabilities					
Due to Banks			-	24,504,387	24,504,387
Derivative Financial Instruments			217,179	-	217,179
Due to Depositors			-	488,653,328	488,653,328
Securities Sold under Repurchase Agreements			-	2,662,377	2,662,377
Due to Other Borrowers			-	7,295	7,295
Group Balances Payable			-	191,810	191,810
Debt Securities Issued			-	21,617,455	21,617,455
Lease Liabilities			-	4,889,598	4,889,598
Other Financial Liabilities			-	6,963,825	6,963,825
Total Financial Liabilities			217,179	549,490,075	549,707,254

19.2 Group

	2022			Total
	Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)	Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	Financial Assets Measured at Amortised Cost (AC)	
	LKR '000	LKR '000	LKR '000	LKR '000
Assets				
Cash and Cash Equivalents	-	-	40,254,554	40,254,554
Balances with Central Bank of Sri Lanka	-	-	16,784,172	16,784,172
Placements with Banks and Finance Companies	-	-	1,819,036	1,819,036
Derivative Financial Instruments	519,189	-	-	519,189
Securities Purchased under Resale Agreements	-	-	3,628,549	3,628,549
Customer Loans and Receivables	-	-	444,219,508	444,219,508
Debt Instruments	-	49,897	889,997	939,894
Equity Instruments	-	1,500,621	-	1,500,621
Government Securities	17,781,867	15,635,665	101,911,206	135,328,738
Other Financial Assets	-	-	11,292,150	11,292,150
Total Financial Assets	18,301,056	17,186,183	620,799,172	656,286,411
		Financial Liabilities Measured at Fair Value through Profit or Loss (FVTPL)	Financial Liabilities Measured at Amortised Cost (AC)	Total
		LKR '000	LKR '000	LKR '000
Liabilities				
Due to Banks	-	-	12,158,030	12,158,030
Derivative Financial Instruments	906,813	-	-	906,813
Due to Depositors	-	-	547,315,755	547,315,755
Securities Sold under Repurchase Agreements	-	-	11,944,370	11,944,370
Due to other Borrowers	-	-	7,483	7,483
Debt Securities Issued	-	-	21,617,455	21,617,455
Lease Liabilities	-	-	2,254,558	2,254,558
Other Financial Liabilities	-	-	9,280,995	9,280,995
Total Financial Liabilities	906,813	604,578,646	605,485,459	

Notes to the Financial Statements

	2021			Total
	Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)	Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	Financial Assets Measured at Amortised Cost (AC)	
	LKR '000	LKR '000	LKR '000	LKR '000
Assets				
Cash and Cash Equivalents	-	-	16,079,094	16,079,094
Balances with Central Bank of Sri Lanka	-	-	8,725,834	8,725,834
Placements with Banks and Finance Companies	-	-	8,246,909	8,246,909
Derivative Financial Instruments	290,141	-	-	290,141
Securities Purchased under Resale Agreements	-	-	10,029,031	10,029,031
Customer Loans and Receivables	-	-	441,976,662	441,976,662
Debt Instruments	-	60,863	897,371	958,234
Equity Instruments	-	2,735,210	-	2,735,210
Government Securities	4,969,913	36,369,326	57,230,015	98,569,254
Other Financial Assets	-	-	6,733,093	6,733,093
Total Financial Assets	5,260,054	39,165,399	549,918,009	594,343,462
		Financial Liabilities Measured at Fair Value through Profit or Loss (FVTPL)	Financial Liabilities Measured at Amortised Cost (AC)	Total
		LKR '000	LKR '000	LKR '000
Liabilities				
Due to Banks	-	-	24,504,387	24,504,387
Derivative Financial Instruments	-	217,179	-	217,179
Due to Depositors	-	-	488,653,328	488,653,328
Securities Sold under Repurchase Agreements	-	-	2,662,377	2,662,377
Due to Other Borrowers	-	-	7,295	7,295
Debt Securities Issued	-	-	21,617,455	21,617,455
Lease Liabilities	-	-	2,007,245	2,007,245
Other Financial Liabilities	-	-	7,022,516	7,022,516
Total Financial Liabilities	-	217,179	546,474,603	546,691,782

20 Cash and Cash Equivalents

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Cash in Hand - Local Currency	10,442,345	8,816,265	10,442,385	8,816,305
Cash in Hand - Foreign Currency	429,902	377,575	429,902	377,575
Balances with Local Banks	548,410	260	548,410	260
Balances with Foreign Banks	28,981,507	6,919,553	28,981,507	6,919,553
Total Cash and Cash Equivalents	40,402,164	16,113,653	40,402,204	16,113,693
Expected Credit Loss Allowance (Note 20.1)	(147,650)	(34,599)	(147,650)	(34,599)
Total Cash and Cash Equivalents - Net	40,254,514	16,079,054	40,254,554	16,079,094
20.1 Movement in Expected Credit Loss Allowance During the year				
Stage 1				
Balance as at 1st January	34,599	8,793	34,599	8,793
Charge / (Write back) to Income Statement (Note 13)	113,051	25,806	113,051	25,806
Balance as at 31st December	147,650	34,599	147,650	34,599

21 Balances with Central Bank of Sri Lanka

As required by Section 93 of the Monetary Law Act, a cash balance to fulfil the statutory reserve requirement of 4% (4% for the period 01st September 2021 to 31st December 2022, 2% for the period 16th June 2020 to 31st August 2021) of the rupee deposit liabilities to be maintained with Central Bank of Sri Lanka.

	Bank/Group	
	2022 LKR '000	2021 LKR '000
Statutory balances with the Central Bank of Sri Lanka*	16,784,172	8,725,834
Total Balances with Central Bank of Sri Lanka	16,784,172	8,725,834

*Amount required to maintain the statutory reserve requirement on average over the reserve maintenance period.

22 Placements with Banks and Finance Companies

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Term Deposits with Banks	1,828,177	8,288,351	1,828,177	8,288,351
Term Deposits with Finance Companies	-	-	498	498
Total Placements with Banks and Finance Companies	1,828,177	8,288,351	1,828,675	8,288,849
Expected Credit Loss Allowance (Note 22.1)	(9,141)	(41,442)	(9,639)	(41,940)
Total Placements with Banks and Finance Companies - Net	1,819,036	8,246,909	1,819,036	8,246,909

Notes to the Financial Statements

	Bank		Group	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
22.1 Movement in Expected Credit Loss Allowance During the year				
Stage 1				
Balance as at 1st January	41,442	53,922	41,940	54,420
Charge / (Write back) to Income Statement (Note 13)	(32,301)	(12,480)	(32,301)	(12,480)
Balance as at 31st December	9,141	41,442	9,639	41,940

23 Derivative Financial Instruments

	Bank/Group	
	2022	2021
	LKR '000	LKR '000
23.1 Derivative Assets		
Foreign Currency Derivatives		
Forward Foreign Exchange Contracts		
- Designated as Cash Flow Hedges	-	34,913
- Designated as Fair Value Hedges	-	3,030
- Not Designated as Hedge	519,189	252,198
	519,189	290,141
23.2 Derivative Liabilities		
Foreign Currency Derivatives		
Forward Foreign Exchange Contracts		
- Designated as Cash Flow Hedges	-	3,790
- Designated as Fair Value Hedges	-	51,662
- Not Designated as Hedge	906,813	161,727
	906,813	217,179

23.3 Cash Flow Hedges of Foreign Currency Borrowings

The Group enter into Forward Foreign Exchange Contracts to hedge the foreign currency risks arising from borrowings denominated in foreign currencies. These are designated as Cash Flow Hedges.

The fair value of derivatives designated as hedge are as follows;

	Bank/Group	
	2022	2021
	LKR '000	LKR '000
Instrument Type		
- Forward Foreign Exchange Contracts	-	31,123
	-	31,123

The time periods in which the hedged cash flows are expected to occur are as follows;

	Within 1 Year	1-5 Years	Over 5 Years
31st December 2022	-	-	-
31st December 2021	USD 6Mn.	-	-

23.4 Fair Value Hedges of Foreign Currency Borrowings

The Group has applied the fair value hedge accounting for part of foreign currency liabilities which include foreign borrowing using forward contracts. Accordingly, the gain or loss relating to derivative contracts that have been designated as hedge instrument and the foreign exchange gain or loss from foreign currency liabilities designated as hedge items have been reported on net basis.

The amount relating to items designated as hedging instruments and hedge effectiveness as at 31st December 2022;

	Nominal Value LKR '000	Line item in the Statement of Financial Position	Amount set off in the Income Statement LKR '000
Foreign Currency Risk			
Hedge of foreign exchange risk arising from foreign currency denominated liabilities using forward foreign exchange contracts	-	Derivative Financial Instruments	(55,753)

The amount relating to items designated as hedged items at 31st December 2022 were as follow;

Line item in the Statement of Financial Position in which the hedged items is included	Carrying amount of liability LKR '000	Amount set off in the Income Statement LKR '000
Due to Banks	-	(55,753)

Following table summarises the impact on the line items in Income Statement.

For the year ended 31st December 2022	Balance before the hedging adjustment LKR '000	Hedging adjustment LKR '000	Balance after the hedging adjustment LKR '000
Net Gains /(Losses) from Trading - Derivative Financial Instruments from Banks (Note 10)	(537,135)	55,753	(481,382)
Net Other Operating Income - Foreign Exchange Income (Note 12)	4,020,144	(55,753)	3,964,391

24 Financial Assets Measured at Fair Value through Profit and Loss (FVTPL)

	Bank/Group	
	2022 LKR '000	2021 LKR '000
Government Securities - Treasury Bills	17,424,841	3,967,287
Government Securities - Treasury Bonds	357,026	1,002,626
Total Financial Assets Measured at FVTPL	17,781,867	4,969,913

24.1 Analysis of Financial Assets Measured at FVTPL

24.1.1 By Currency

Sri Lankan Rupee	17,781,867	4,969,913
United States Dollar	-	-
Total Financial Assets Measured at FVTPL	17,781,867	4,969,913

Notes to the Financial Statements

	Bank/Group	
	2022	2021
	LKR '000	LKR '000
24.1.2 By Collateralisation		
Pledged as Collateral	2,924,108	-
Unencumbered	14,857,759	4,969,913
Total Financial Assets Measured at FVTPL	17,781,867	4,969,913
24.2 Financial Assets Measured at FVTPL Consists of		
Total Cost/Amortised Cost	17,978,059	5,012,150
Marked to Market Valuation Gain/(Loss) *	(196,192)	(42,237)
Total Fair Value	17,781,867	4,969,913

* Marked to market valuation gain/(loss) of financial assets measured at Fair Value through Profit and Loss is included in Net Gains/(Losses) from Trading (Note 10).

25 Financial Assets at Amortised Cost - Loans and Advances

	Bank/Group	
	2022	2021
	LKR '000	LKR '000
Gross Loans and Advances under;		
Stage 1	388,076,563	413,898,954
Stage 2	40,678,022	12,033,896
Stage 3	61,677,299	39,972,643
Gross Loans and Advances	490,431,884	465,905,493
Less: Expected Credit Loss Allowance under; (Note 25.3)		
Stage 1	6,207,450	2,719,224
Stage 2	6,450,019	2,056,798
Stage 3	33,554,907	19,152,809
Total Expected Credit Loss Allowance for Loans and Advances	46,212,376	23,928,831
Total Loans and Advances - Net	444,219,508	441,976,662

	Bank/Group	
	2022	2021
	LKR '000	LKR '000
25.1 Analysis of Gross Loans and Advances		
25.1.1 By Product		
Local Currency		
Export Bills	91,837	6,987
Import Bills	213,784	50,576
Local Bills	12,054	40,209
Lease Rentals Receivable (Note 25.2)	24,036,119	26,131,228
Overdrafts	69,185,621	57,350,604
Revolving Import Loans	10,888,046	11,276,188
Packing Credit Loans	4,678,143	9,160,450
Trust Receipt Loans	581,793	1,553,920
Staff Loans	7,657,777	6,816,140
Housing Loans	17,620,074	17,770,634
Pawning Receivables	31,991,223	22,343,844
Refinance Loans	8,510,440	13,736,944
Credit Cards	7,162,363	6,164,893
Margin Trading	4,508,146	7,483,525
Factoring	1,630,891	1,751,686
Term Loans	234,656,074	243,215,172
Total Gross Loans and Advances - Local Currency	423,424,385	424,853,000

	Bank/Group	
	2022 LKR '000	2021 LKR '000
Foreign Currency		
Export Bills	5,409,459	2,945,544
Import Bills	647,607	480,553
Local Bills	869	16,135
Overdrafts	683,306	358,456
Revolving Import Loans	1,443,978	1,626,689
Packing Credit Loans	17,274,822	6,467,423
Housing Loans	212,938	128,130
Term Loans	41,334,520	29,029,563
Total Gross Loans and Advances - Foreign Currency	67,007,499	41,052,493
Total Gross Loans and Advances	490,431,884	465,905,493
25.1.2 By Currency		
Sri Lankan Rupee	423,424,385	424,853,000
United States Dollar	66,638,409	40,756,043
Great Britain Pound	335,295	241,217
Australian Dollar	16,902	11,898
Japanese Yen	16,893	15,389
Euro	-	20,570
Chinese Renminbi	-	7,376
Total Gross Loans and Advances	490,431,884	465,905,493
25.1.3 By Industry		
Agriculture, Forestry and Fishing	61,887,883	59,601,665
Manufacturing	65,498,658	52,587,200
Tourism	24,039,317	19,671,524
Transportation and Storage	9,498,386	8,643,519
Construction	69,838,603	74,172,040
Infrastructure Development	17,539,549	13,976,313
Wholesale and Retail Trade	52,473,827	57,099,942
Information Technology and Communication Services	4,972,925	4,349,464
Financial Services	41,857,306	50,259,859
Professional, Scientific and Technical Activities	8,249,122	8,436,808
Arts, Entertainment and Recreation	471,735	818,832
Education	982,070	2,312,249
Healthcare, Social Services and Support Services	11,085,532	8,755,816
Consumption	118,563,148	102,880,272
Lending to Overseas Entities	3,473,823	2,339,990
Total Gross Loans and Advances	490,431,884	465,905,493

Notes to the Financial Statements

25.2 Lease Rentals Receivable

	Bank / Group			Bank / Group		
	2022			2021		
	Gross Lease Rentals Receivables	Unearned Income	Total	Gross Lease Rentals Receivables	Unearned Income	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Lease Rentals Receivable within One Year	13,045,362	(3,168,789)	9,876,573	11,512,788	(2,739,528)	8,773,260
Lease Rentals Receivable Later than One Year and Not Later than Five Years	16,938,898	(2,781,214)	14,157,684	20,083,659	(2,789,183)	17,294,476
Lease Rentals Receivable Later than Five Years	1,970	(108)	1,862	66,988	(3,496)	63,492
Total Lease Rentals Receivable	29,986,230	(5,950,111)	24,036,119	31,663,435	(5,532,207)	26,131,228

	Bank/Group	
	2022	2021
	LKR '000	LKR '000
25.3 Movements in Expected Credit Loss Allowance on Loans and Advances		
Balance as at 01st January	23,928,831	15,534,806
Charge/(Write back) to Income Statement (Note 13.1)	21,447,905	8,985,084
Reversal for Write-off during the Year	(97,301)	(282,901)
Interest Accrued on Impaired Loans and Advances (Note 8.1)	(698,299)	(355,983)
Exchange Rate Movements	1,631,240	47,825
Balance as at 31st December	46,212,376	23,928,831
25.3.1 Stagewise Movements in Expected Credit Loss Allowance during the year		
Stage 1		
Balance as at 01st January	2,719,224	1,330,114
Charge/(Write back) to Income Statement (Note 13.1)	3,350,366	1,389,110
Exchange Rate Movements	137,860	-
Balance as at 31st December	6,207,450	2,719,224
Stage 2		
Balance as at 01st January	2,056,798	932,874
Charge/(Write back) to Income Statement (Note 13.1)	4,384,081	1,123,924
Exchange Rate Movements	9,140	-
Balance as at 31st December	6,450,019	2,056,798
Stage 3		
Balance as at 01st January	19,152,809	13,271,818
Charge/(Write back) to Income Statement (Note 13.1)	13,713,458	6,472,050
Reversal for Write-off during the Year	(97,301)	(282,901)
Interest Accrued on Impaired Loans and Advances (Note 8.1)	(698,299)	(355,983)
Exchange Rate Movements	1,484,240	47,825
Balance as at 31st December	33,554,907	19,152,809

Assessment of implications of adverse economic conditions and COVID 19

For facilities affected by prevailing adverse economic conditions and / or subject to the COVID-19 repayment deferral arrangements, an assessment of Significant Increase in Credit Risk (SICR) has been determined based on various measures of the customer's current financial position, future earnings capacity and the sectors in which the customers operate from which the facilities are categorised into risk categories. SICR is then determined based on the resulting risk categorisation. Based on the risk categorisation, facilities have been stress tested and required allowance overlays have been made.

Key Judgements and Estimates

In estimating collectively assessed Expected Credit Loss (ECL), the Bank makes judgements and assumptions in relation to:

- the selection of an estimation technique or modelling methodology, noting that the modelling of the Bank's ECL estimates are complex; and
- the selection of inputs for those models, and the interdependencies between those inputs.

The following table summarises the key judgements and assumptions used by the Bank in relation to the ECL model inputs, the interdependencies between those inputs, and highlights the significant changes during the current year.

The judgements and associated assumptions have been made within the context of the impact of prevailing adverse economic conditions and COVID-19, and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. In relation to the impact of prevailing adverse economic conditions and COVID-19, judgements and assumptions include the extent and duration of the pandemic, the impacts of actions of governments and other authorities, and the responses of businesses and consumers in different industries, along with the associated impact on the economy. Accordingly, the Bank's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Judgement/ Assumption	Description	Considerations for the year ended 31st December 2022
Determining when a Significant Increase in Credit Risk (SICR) has occurred	In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from 'Stage 1' to 'Stage 2'. This is a key area of judgement since transition from Stage 1 to Stage 2 increases the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses.	In response to the impacts of prevailing adverse economic conditions and COVID-19, various moratorium/ debt concessionary schemes have been offered to eligible customers. The Bank did not consider that when a customer was first provided with assistance it would automatically result in a Significant Increase in Credit Risk (SICR) and a consequent impact on ECL when assessing provisions. Subsequent to take-up, assessments have been carried out based on the discussions with the customers on the future business cashflows, financial position, the sectors in which the businesses operate, and ability to recommence loan repayments at the end of the moratorium/ debt concessionary period to conclude whether there is SICR. Bank also takes into consideration the current adverse economic developments in order to assess cashflow projections for future recoveries. The main factors that cause uncertainties regarding this application relate to the unstable economic environment prevailing in the country and the resultant implications on the creditworthiness of the borrowers.
Measuring both 12-month and lifetime credit losses	The Probability of Default (PD), Loss Given Default (LGD) and Exposure at default (EAD) credit risk parameters used in determining ECL are point-in time measures reflecting the relevant forward looking information determined by management. Judgement is involved in determining which forward-looking information variables are relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity.	The PD, EAD and LGD models are subject to the Bank's policy on impairment model that stipulates periodic model monitoring, periodic revalidation and the approval procedures and authorities according to model materiality. There were no material changes to the policies during the year ended 31st December 2022. Due to the implications of moratorium/ debt concessionary schemes on PDs and LGDs (due to limited movements to Stage 2 and 3), adjustments have been made as overlays based on stress testing and historic patterns to better reflect the adequacy of ECL.

Notes to the Financial Statements

Judgement/ Assumption	Description	Considerations for the year ended 31st December 2022
	In addition, judgement is required where behavioural characteristics are applied in estimating the lifetime of a facility to be used in measuring ECL.	There were no material changes to behavioural lifetime estimates during the year ended 31st December 2022.
Base case economic forecast	The Bank derives a forward-looking "base case" economic scenario which reflects the it's view of the most likely future macro-economic conditions.	<p>There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current year.</p> <p>As at 31st December 2022, the base case assumptions have been updated to reflect the rapidly evolving situation with respect to the adverse economic conditions prevailing in the country, the economic factor adjustments were incorporated into the model by using the historical economic factor provided by Central Bank of Sri Lanka (CBSL) and the economic forecast provided by the International Monetary Fund (IMF) and based on forecast model techniques.</p>
Probability weighting of each economic scenario (base case, best and worst scenarios)	Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date.	<p>The key consideration for probability weightings in the current period is the continuing impact of COVID-19 and prevailing economic conditions .</p> <p>In addition to the base case forecast which reflects the negative economic consequences of prevailing economic conditions and COVID-19, greater weighting has been applied to the worst scenario given the Bank's assessment of downside risks. The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.</p>
Post model adjustments (Management overlay)	<p>Post model adjustments to the ECL allowance are used in circumstances where it is judged that the existing inputs, assumptions and model techniques do not capture all the risk factors relevant to Bank's lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, and natural disasters that are not incorporated into the current parameters, risk ratings, or forward-looking information are examples of such circumstances.</p> <p>The use of post model adjustments may impact on the amount of ECL recognised.</p> <p>The uncertainty associated with the prevailing adverse economic conditions and the extent to which the actions of governments, businesses and consumers mitigate against potentially adverse credit outcomes are not fully incorporated into existing ECL models. Accordingly, management overlays have been applied to ensure credit provisions are appropriate.</p>	<p>Management have applied a number of adjustments to the modelled ECL as post model adjustments primarily due to the uncertainty associated with COVID-19, the debt concessions that have been provided and the prevailing adverse economic conditions.</p> <p>Management overlays (including COVID-19 overlays and prevailing adverse economic conditions) which add to the modelled ECL provision have been made for risks particular for risk elevated sectors identified by the Bank.</p>

26 Financial Assets Measured at Amortised Cost - Debt and Other Instruments

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Government Securities - Treasury Bills	6,052,565	-	6,323,439	163,968
Government Securities - Treasury Bonds	85,560,849	42,556,755	85,560,849	42,556,755
Sri Lanka Development Bonds (SLDB)	2,583,970	7,341,503	2,583,970	7,341,503
Sri Lanka International Sovereign Bonds (ISB)	12,842,058	7,855,277	12,842,058	7,855,277
Quoted Debentures (Note 26.1)	294,732	294,732	294,732	294,732
Unquoted Debentures (Note 26.2)	595,383	602,755	595,383	602,755
Securities Purchased under Resale Agreements	3,628,549	10,029,031	3,628,549	10,029,031
Total Financial Assets Measured at Amortised Cost	111,558,106	68,680,053	111,828,980	68,844,021
Expected Credit Loss Allowance (Note 26.5)	(5,399,228)	(687,604)	(5,399,228)	(687,604)
Net Financial Assets Measured at Amortised Cost	106,158,878	67,992,449	106,429,752	68,156,417

26.1 Quoted Debentures

Singer Finance PLC (750,000 Debentures of LKR 100.00 each)	81,411	81,411	81,411	81,411
Ceylon Electricity Board (2,000,000 Debentures of LKR 100.00 each)	213,321	213,321	213,321	213,321
Total Quoted Debentures Measured at Amortised Cost	294,732	294,732	294,732	294,732

26.2 Unquoted Debentures

HNB Finance PLC	595,383	602,755	595,383	602,755
Total Unquoted Debentures Measured at Amortised Cost	595,383	602,755	595,383	602,755

26.3 Analysis of Financial Assets Measured at Amortised Cost - Debt and Other Instruments

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
26.3.1 By Currency				
Sri Lankan Rupee	96,132,078	53,483,273	96,402,952	53,647,241
United States Dollar	15,426,028	15,196,780	15,426,028	15,196,780
Total Financial Assets Measured at Amortised Cost	111,558,106	68,680,053	111,828,980	68,844,021
26.3.2 By Collateralisation				
Pledged as Collateral	18,228,686	1,032,455	18,228,686	1,032,455
Unencumbered	93,329,420	67,647,598	93,600,294	67,811,566
Total Financial Assets Measured at Amortised Cost	111,558,106	68,680,053	111,828,980	68,844,021

Notes to the Financial Statements

26.4 Reconciliation for Financial Assets Measured at Amortised Cost - Debt and Other Instruments

	Bank		Group	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 01st January	67,992,449	53,692,471	68,156,417	53,692,471
Reclassification during the year (Note 26.6)	24,889,244	-	24,889,244	-
Net Acquisitions and Maturities during the year	17,988,809	14,720,200	18,095,715	14,884,168
Expected Credit Losses during the year (Note 26.5)	(4,711,624)	(420,222)	(4,711,624)	(420,222)
Balance as at 31st December	106,158,878	67,992,449	106,429,752	68,156,417

26.5 Movements in Expected Credit Loss Allowance During the year

	Bank		Group	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 01st January	687,604	267,382	687,604	267,382
Charge/ (Write back) to Income Statement (Note 13)	4,711,624	420,222	4,711,624	420,222
Balance as at 31st December	5,399,228	687,604	5,399,228	687,604

26.5.1 Stagewise Movements in Expected Credit Loss Allowance During the year

Stage 1				
	Bank		Group	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 01st January	687,604	267,382	687,604	267,382
Charge / (Write back) to Income Statement	(687,486)	420,222	(687,486)	420,222
Balance as at 31st December	118	687,604	118	687,604
Stage 2				
Balance as at 01st January	-	-	-	-
Charge / (Write back) to Income Statement	5,399,110	-	5,399,110	-
Balance as at 31st December	5,399,110	-	5,399,110	-

This includes International Sovereign Bonds (ISBs) and foreign currency denominated Sri Lanka Development Bonds (SLDBs). As per the Interim Policy regarding the servicing of Sri Lanka's External Public Debt issued by Ministry of Finance on 12th April 2022, the Sri Lankan Government has suspended normal debt servicing of all ISBs which fall within the category of affected debts (as defined in the said Policy) for an interim period pending an orderly and consensual restructuring of those obligations in a manner consistent with an economic adjustment program supported by the International Monetary Fund (IMF).

As explained in Note 3, (Use of Estimates and judgements - Economic environment) based on the Interim Policy regarding the servicing of Sri Lanka's External Public Debt issued by Ministry of Finance on 12th April 2022, all ISBs which fall within the category of affected Debts have been classified under Stage 2, due to suspension of normal debt servicing for an interim period.

The Bank's total exposure to ISBs and SLDBs are presented in Note 26. The main uncertainties regarding the estimations for the recoverability of the Bank's total exposure relate to the debt service capacity of the Government of Sri Lanka, which, in turn, is affected by the development of the prevailing Macro-economic environment as well as by the levels of liquidity of the Government and the outcome of the debt restructuring negotiations and the resultant comprehensive debt restructuring program. Due to the uncertainties relating to the above, the Bank has used significant judgement using the information available as at reporting date to estimate to recoverable value. Accordingly an impairment charge has been recognised to maintain adequate provision cover as at reporting date.

26.6 Reclassification of Debt Portfolio

Considering the unprecedented changes in the macro-economic conditions, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued the "Statement of Alternative Treatment (SoAT) on Reclassification of Debt Portfolio" which provides a temporary practical expedient to permit the entities to reclassify the debt portfolio measured at Fair Value through Other Comprehensive Income (FVOCI) to Amortised Cost.

The Bank has adopted the above SoAT and re-classified its Debt Portfolio from Fair Value through Other Comprehensive Income (FVOCI) to Amortised Cost (AC) with effect from 01st April 2022.

	Bank		Group	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Fair value of financial assets as at reclassification date	22,832,303	-	22,832,303	-
Accumulated fair value loss as at reclassification date	2,056,941	-	2,056,941	-
Total Financial Assets reclassified to Financial Assets Measured at Amortised Cost - Debt and Other Instruments	24,889,244	-	24,889,244	-

If the assets had continued to be measured at Fair Value through Other Comprehensive Income, the cumulative loss to Other Comprehensive Income (OCI) would have been LKR 3,796,589,606.00 as at 31st December 2022 and OCI loss of LKR 3,371,118,232.00 for the year ended 31st December 2022.

27 Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

	Bank		Group	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Quoted Equities (Note 27.1)	1,126,819	2,402,958	1,126,819	2,402,958
Unquoted Equities (Note 27.2)	373,802	332,252	373,802	332,252
Government Securities - Treasury Bills	11,396,357	2,186,713	11,396,357	2,186,713
Government Securities - Treasury Bonds	4,239,308	33,768,436	4,239,308	33,768,436
Sri Lanka Development Bonds (SLDB)	-	414,177	-	414,177
Quoted Debentures (Note 27.3)	-	-	49,897	60,863
Total Financial Assets Measured at FVOCI	17,136,286	39,104,536	17,186,183	39,165,399

27.1 Quoted Equities

The Bank designated certain investments shown in the following table as Equity Investments at FVOCI. The FVOCI designation was made because the investments are expected to be held for the long term for strategic purposes.

	2022			2021		
	No. of Ordinary Equities	Cost	Fair Value	No. of Ordinary Equities	Cost	Fair Value
		LKR '000	LKR '000		LKR '000	LKR '000
Banks Finance and Insurance						
The Finance Company PLC	1,003,163	29,393	-	1,003,163	29,393	-
Diversified Holdings						
John Keells Holdings PLC	527,135	95,168	71,295	527,135	95,168	79,070
Hotels and Travels						
John Keells Hotels PLC	1,317,311	16,203	21,736	1,442,311	17,740	21,202
Jetwing Symphony PLC	3,328,749	49,931	34,619	3,328,749	49,931	41,942
Manufacturing						
Chevron Lubricants Lanka PLC	120,407	19,329	11,619	120,407	19,329	13,606

Notes to the Financial Statements

	2022			2021		
	No. of Ordinary Equities	Cost LKR '000	Fair Value LKR '000	No. of Ordinary Equities	Cost LKR '000	Fair Value LKR '000
Power and Energy						
Lanka IOC PLC	40,000	1,825	8,110	115,000	5,246	8,418
Financial Services						
HNB Finance PLC *	233,200,000	2,332,000	979,440	233,200,000	2,332,000	2,238,720
Total Quoted Equity Investments Measured at FVOCI - Bank/Group		2,543,849	1,126,819		2,548,807	2,402,958

*The Bank restructured its loan portfolio to HNB Finance Limited (previously known as HNB Grameen Finance Limited and before that Grameen Micro Credit Company Limited) (LKR 2.725 Bn.) by obtaining approval from the Monetary Board and converted LKR 1 Bn. of the outstanding loan to 15% Cumulative / Redeemable / Convertible / Preference Shares. Further, the Bank converted the balance of LKR 1.725 Bn. to Secured Debentures at an interest rate of Treasury Bills + 10% per annum, which were due to matured from 2012 to 2019.

However, with effect from 25th June 2012, the Central Bank of Sri Lanka has directed to convert the investments in Grameen Micro Credit Company Limited (presently known as HNB Finance Limited) to LKR 665 Mn. Debentures which are secured against the mortgaged properties (redeemable from 2020 to 2040) and the balance LKR 2,060 Mn. together with interest due amounting to LKR 272 Mn. to 233,200,000 Non-voting Shares of LKR 10.00 each amounting to LKR 2.332 Bn.

HNB Finance Limited is listed in Colombo Stock Exchange with effect from 20th May 2020 as HNB Finance PLC.

27.2 Unquoted Equities

	2022			2021		
	No. of Ordinary Equities	Cost LKR '000	Fair Value LKR '000	No. of Ordinary Equities	Cost LKR '000	Fair Value LKR '000
Bank						
Credit Information Bureau of Sri Lanka	2,900	290	61,487	2,900	290	60,924
LankaClear (Pvt) Limited	1,006,601	11,163	234,652	1,006,601	11,163	204,113
Lanka Financial Services Bureau Limited	500,000	5,000	-	500,000	5,000	-
Transnational Lanka Records Solutions (Pvt) Limited	1,000,000	10,000	77,663	1,000,000	10,000	67,215
Total Unquoted Equity Investments Measured at FVOCI - Bank		26,453	373,802		26,453	332,252
Subsidiary						
Standard Credit Finance Limited	8,040,969	44,041	-	8,040,969	44,041	-
Total Unquoted Equity Investments Measured at FVOCI - Subsidiary		44,041	-		44,041	-
Total Unquoted Equity Investments Measured at FVOCI - Group		70,494	373,802		70,494	332,252

Fair value is based on Net Assets per Share Basis as per the Audited Financial Statements of these Companies as at following dates:

Credit Information Bureau of Sri Lanka - 31st December 2021

LankaClear (Pvt) Limited - 31st March 2022

Lanka Financial Services Bureau Limited - 31st March 2022

Transnational Lanka Records Solutions (Pvt) Limited - 30th June 2022

Dividend received from Quoted and Unquoted Equities Investments measured at FVOCI disclosed in Note 12.

	2022		2021	
	Amortised Cost LKR '000	Fair Value LKR '000	Amortised Cost LKR '000	Fair Value LKR '000
	27.3 Quoted Debentures			
LOLC Finance PLC (500,000 Debentures of LKR 100.00 each)	53,091	49,897	53,091	60,863
Total Quoted Debentures Measured at FVOCI - Subsidiary	53,091	49,897	53,091	60,863
Total Quoted Debentures Measured at FVOCI - Group	53,091	49,897	53,091	60,863
27.4 Analysis of Financial Assets Measured at FVOCI				
	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
27.4.1 By Currency				
Sri Lankan Rupee	17,136,286	38,690,359	17,186,183	38,751,222
United States Dollar	-	414,177	-	414,177
Total Financial Assets Measured at FVOCI	17,136,286	39,104,536	17,186,183	39,165,399
27.4.2 By Collateralisation				
Pledged as Collateral	1,738,750	7,142,430	1,738,750	7,142,430
Unencumbered	15,397,536	31,962,106	15,447,433	32,022,969
Total Financial Assets Measured at FVOCI	17,136,286	39,104,536	17,186,183	39,165,399
27.5 Financial Assets Measured at FVOCI Consists of				
Total Cost/Amortised Cost	18,219,139	39,381,084	18,316,263	39,478,208
Accumulated Fair Value Change recognised through				
- Other Comprehensive Income	(1,082,853)	(291,488)	(1,130,089)	(327,758)
- Income Statement (Note 27.7)	-	14,940	9	14,949
Total Accumulated Fair value Change (Note 27.6)	(1,082,853)	(276,548)	(1,130,080)	(312,809)
Total Financial Assets Measured at FVOCI	17,136,286	39,104,536	17,186,183	39,165,399
27.6 Accumulated Fair Value Change				
Balance as at 01st January	(276,548)	3,045,931	(312,809)	3,004,998
Fair value change during the year *	(806,305)	(3,322,479)	(817,271)	(3,317,807)
Balance as at 31st December	(1,082,853)	(276,548)	(1,130,080)	(312,809)
27.7 Movemens in Expected Credit Loss allowance During the year				
Stage 1				
Balance as at 01st January	14,940	9,394	14,949	9,403
Charge / (Write back) to Income Statement (Note 13)	(14,940)	5,546	(14,940)	5,546
Balance as at 31st December	-	14,940	9	14,949

* Includes fair value change on reclassification of debt portfolio.

Notes to the Financial Statements

27.8 Derecognition of Equity Investments Measured at FVOCI

	2022		2021	
	Fair Value as at Disposal Date	Cumulative Gain or (Loss) on Disposal	Fair Value as at Disposal Date	Cumulative Gain or (Loss) on Disposal
	LKR '000	LKR '000	LKR '000	LKR '000
Bank				
Visa Inc	-	-	891,021	869,272
Lanka IOC	12,817	9,396	15,371	2,580
John Keells Hotels PLC	-	-	29,440	3,487
Total Derecognition of Equity Investments Measured at FVOCI- Bank/ Group	12,817	9,396	935,832	875,339

28 Investment in Subsidiary

	Primary Activity	No of Ordinary Equities	2022			2021			
			Holding	Cost	Market Value	No of Ordinary Equities	Holding	Cost	Market Value
			%	LKR '000	LKR '000	%	LKR '000	LKR '000	
Seylan Developments PLC	Property Development/ Management	104,332,112	70.51	1,153,602	1,231,119	104,332,112	70.51	1,153,602	1,877,978
				1,153,602	1,231,119			1,153,602	1,877,978

	2022 LKR' 000	2021 LKR' 000
28.1 Non-Controlling Interest (NCI) in Subsidiary, Seylan Developments PLC		
NCI (%)	29.49	29.49
Total Assets	6,354,869	6,061,360
Total Liabilities	1,066,133	787,729
Net Assets	5,288,736	5,273,631
Carrying Amount of NCI (Note 28.2)	1,264,408	1,328,593
Revenue	393,759	362,047
Profit	238,955	350,776
Total Comprehensive Income	222,257	349,226
Profit Allocated to NCI	3,411	82,667
Cash flow from Operating Activities	288,431	277,845
Cash flow from Investing Activities	(59,765)	36,830
Cash flow from Financing Activities - Before Dividend to NCI	(146,062)	(125,196)
Cash flow from Financing Activities - Cash Dividend to NCI	(61,089)	(52,362)
Net Increase/ (Decrease) in Cash and Cash Equivalents	21,515	137,117
28.2 Carrying Amount of Non Controlling Interest (NCI)		
Balance as at 01st January	1,328,593	1,285,776
Profit for the year	3,411	82,667
Other Comprehensive Income, net of Tax	(6,507)	12,363
Other Transactions with Equity Holders, Recognised Directly in Equity	(61,089)	(52,213)
Balance as at 31st December	1,264,408	1,328,593

29 Group Balances Receivable

	Bank	
	2022	2021
	LKR '000	LKR '000
Seylan Developments PLC	64,435	40,000
	64,435	40,000

30 Property, Plant and Equipment

	Freehold Land	Freehold Buildings	Computer Equipment	Office Machines and Equipment	Fixtures, Fittings and Furniture	Motor Vehicles	Leased Assets	2022 Total	2021 Total
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
30.1 Bank									
Cost / Valuation									
Balance as at 01st January	1,912,805	340,149	4,576,017	1,433,875	2,253,929	156,272	48,065	10,721,112	9,742,983
Additions and Improvements	-	-	144,150	16,653	32,104	-	-	192,907	312,432
Net Surplus on Revaluation	-	-	-	-	-	-	-	-	674,763
Disposals / Write-Offs	-	-	(494)	(2,757)	(14,578)	-	-	(17,829)	(9,066)
Balance as at 31st December	1,912,805	340,149	4,719,673	1,447,771	2,271,455	156,272	48,065	10,896,190	10,721,112
Accumulated Depreciation									
Balance as at 01st January	-	-	3,069,144	1,256,898	1,926,563	130,525	48,065	6,431,195	5,711,530
Charge for the Year	-	19,660	472,989	71,573	136,161	11,823	-	712,206	796,791
Revaluation Adjustment on Accumulated Depreciation	-	-	-	-	-	-	-	-	(68,060)
Disposals / Write-Offs	-	-	(417)	(2,757)	(14,578)	-	-	(17,752)	(9,066)
Balance as at 31st December	-	19,660	3,541,716	1,325,714	2,048,146	142,348	48,065	7,125,649	6,431,195
As at 31st December 2022									
Cost / Valuation less									
Accumulated Depreciation	1,912,805	320,489	1,177,957	122,057	223,309	13,924	-	3,770,541	
Accumulated Impairment	-	-	-	-	-	-	-	-	
Net Carrying Amount	1,912,805	320,489	1,177,957	122,057	223,309	13,924	-	3,770,541	
Market Value *	1,912,805	320,489							
As at 31st December 2021									
Net Carrying Amount	1,912,805	340,149	1,506,873	176,977	327,366	25,747	-		4,289,917

* Market value of freehold land and buildings were estimated as a revalued amount less subsequent depreciation, the details of which has been provided in Note 30.4.

There were no capitalised borrowing costs pertaining to the acquisition of Property, Plant and Equipment of the Bank during the year 2022 (2021- Nil).

There is a pending case against the Bank in the District Court of Badulla related to property at Bandarawela. Also, there is a case filed by the Bank in the District Court of Ratnapura related to Ratnapura property.

Other than the two properties mentioned above there were no restrictions on the title of the Property, Plant and Equipment of the Bank as at the reporting date. Further, there were no items pledged as securities for liabilities.

The Bank holds properties at Balangoda and Deal Place, Colombo 03, worth LKR 13 Mn. and 209 Mn. respectively. Bank will decide the future course of action on these two properties.

Notes to the Financial Statements

	Freehold Land	Freehold Buildings	Computer Equipment	Office Machines and Equipment	Fixtures, Fittings and Furniture	Motor Vehicles	Leased Assets	2022 Total	2021 Total
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
30.2 Group									
Cost / Valuation									
Balance as at 01st January	1,912,805	3,030,647	4,584,252	1,641,987	2,269,431	156,272	48,065	13,643,459	12,610,926
Additions and Improvements	-	-	144,215	18,431	34,444	-	-	197,090	356,854
Net Surplus /(Deficit) on Revaluation	-	(59,141)	-	-	-	-	-	(59,141)	684,956
Disposals / Write-Offs	-	-	(494)	(2,757)	(14,578)	-	-	(17,829)	(9,277)
Balance as at 31st December	1,912,805	2,971,506	4,727,973	1,657,661	2,289,297	156,272	48,065	13,763,579	13,643,459
Accumulated Depreciation									
Balance as at 01st January	-	-	3,073,571	1,390,389	1,937,162	130,525	48,065	6,579,712	5,838,215
Charge for the Year	-	58,653	473,992	95,451	137,791	11,821	-	777,708	860,436
Revaluation Adjustment on Accumulated Depreciation	-	(38,993)	-	-	-	-	-	(38,993)	(109,714)
Disposals / Write-Offs	-	-	(422)	(2,757)	(14,578)	-	-	(17,757)	(9,225)
Balance as at 31st December	-	19,660	3,547,141	1,483,083	2,060,375	142,346	48,065	7,300,670	6,579,712
As at 31st December 2022									
Cost / Valuation less Accumulated Depreciation	1,912,805	2,951,846	1,180,832	174,578	228,922	13,926	-	6,462,909	
Accumulated Impairment	-	-	-	-	-	-	-	-	
Net Carrying Amount	1,912,805	2,951,846	1,180,832	174,578	228,922	13,926	-	6,462,909	
Market Value *	1,912,805	2,951,846							
As at 31st December 2021									
Net Carrying Amount	1,912,805	3,030,647	1,510,681	251,598	332,269	25,747	-		7,063,747

* Market value of freehold land and buildings were estimated as a revalued amount less subsequent depreciation, the details of which has been provided in Note 30.4.

Investment property rented to Seylan Bank PLC by its subsidiary, Seylan Developments PLC is classified as Property, Plant and Equipment in the Group Financial Statements.

30.3 Fully Depreciated/ Amortised Assets

The initial cost of fully depreciated Property, Plant and Equipment and fully amortised Intangible Assets (software and software related) as at 31st December which are still in use as follows;

	Bank		Group	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Computer Equipment	2,069,892	1,614,708	2,070,674	1,615,490
Office Machines and Equipment	1,067,554	977,671	1,120,556	1,003,832
Fixtures, Fittings and Furniture	1,588,698	1,473,730	1,597,077	1,479,197
Motor Vehicles	102,577	86,297	102,577	86,297
Leased Assets	48,065	47,876	48,065	47,876
Total Fully Depreciated Property, Plant and Equipment	4,876,786	4,200,282	4,938,949	4,232,692
Total Fully Amortised Intangible Assets	1,738,914	1,645,734	1,738,914	1,645,734
Total Fully Depreciated/ Amortised Assets	6,615,700	5,846,016	6,677,863	5,878,426

30.4 Freehold Land and Buildings

The Bank has revalued its land and buildings and the valuations were made on the basis of market values for existing use. Such valuations were carried out by an independent professionally qualified valuer, Mr. D N D Baranage (GMIV Sri Lanka and MRICS London). The effective date of the revaluation is 31st December 2021.

The book values of the properties were adjusted to the revalued amount and the resultant surplus or deficit was transferred to the revaluation reserve or Income Statement respectively.

	Address	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Extent	Cost/ Valuation		Accumulated Depreciation	Net Book Value
					Land	Building		
					LKR '000	LKR '000	LKR '000	LKR '000
1	Mt. Lavinia 198, Galle Road, Ratmalana	Market Comparable Method Price per perch for land Price per square foot for building	LKR 4,000,000 p.p LKR 1,500 p.sq.ft to LKR 3,750 p.sq.ft	36.30 P	154,480	17,091	1,074	170,497
2	Badulla 10, Cocowatte Road, Badulla	Market Comparable Method Price per perch for land Price per square foot for building	LKR 4,500,000 p.p LKR 4,000 p.sq.ft	1 R 5.50 P	208,800	24,800	1,044	232,556
3	Kochchikade 66, Chilaw Road, Kochchikade	Market Comparable Method Price per perch for land Price per square foot for building	LKR 2,500,000 p.p LKR 4,500 p.sq.ft	8.00 P	20,000	20,587	1,274	39,313
4	Avissawella 71, Ratnapura Road, Avissawella	Market Comparable Method Price per perch for land Price per square foot for building	LKR 5,000,000 p.p LKR 4,000 p.sq.ft	18.92 P	94,600	22,140	1,591	115,149
5	Grandpass 401, Prince of Wales Avenue, Colombo 14	Market Comparable Method Price per perch for land Quantity allowance Price per square foot for building	LKR 6,000,000 p.p 5% LKR 2,000 p.sq.ft to LKR 4,000 p.sq.ft	1 R 6.00 P	262,200	34,030	2,652	293,578
6	Bandarawela Badulla Road, Bandarawela	Market Comparable Method Price per perch for land Price per square foot for building	LKR 5,000,000 p.p LKR 3,000 p.sq.ft	27.01P	135,500	16,200	1,171	150,529
7	Sarikkamulla 97, Old Galle Road, Sarikkamulla	Market Comparable Method Price per perch for land Price per square foot for building	LKR 1,200,000 p.p LKR 3,000 p.sq.ft	11.56 P	13,872	11,070	509	24,433
8	Raddolugama 171, National Housing Scheme, Raddolugama	Market Comparable Method Price per perch for land Price per square foot for building	LKR 1,000,000 p.p LKR 3,500 p.sq.ft	12.08 P	12,080	12,460	748	23,792
9	Nuwara-Eliya 61, Haddon Hill Road, Nuwara-Eliya	Market Comparable Method Price per perch for land Quantity allowance Price per square foot for building	LKR 700,000 p.p 10% LKR 2,750 p.sq.ft	1 R 36.00 P	47,880	12,295	1,039	59,136
10	Maradaghamula 150, Divulapitiya Road, Maradaghamula	Market Comparable Method Price per perch for land Price per square foot for building	LKR 1,000,000 p.p LKR 4,000 p.sq.ft	35.00 P	35,000	25,440	1,504	58,936

Notes to the Financial Statements

	Address	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Extent	Cost/ Valuation		Accumulated Depreciation	Net Book Value
					Land	Building		
					LKR '000	LKR '000	LKR '000	LKR '000
11	Anuradhapura 23-A1, Anuradhapura	Market Comparable Method Price per perch for land	LKR 1,200,000 p.p	1 R 3.65 P	54,562	-	-	54,562
12	Embilipitiya 73, New Town Road, Embilipitiya	Market Comparable Method Price per perch for land Price per square foot for building	LKR 2,000,000 p.p LKR 3,750 p.sq.ft	22.10 P	44,020	42,075	2,370	83,725
13	Nugegoda 211, High Level Road, Nugegoda	Market Comparable Method Price per perch for land Price per square foot for building Depreciation Rate	LKR 1,000,000 p.p to LKR 6,000,000 p.p LKR 4,750 p.sq.ft 10%	14.00 P	86,000	37,295	1,755	121,540
14	Ratnapura 6, Goods Shed Road, Ratnapura	Market Comparable Method Price per perch for land Price per square foot for building	LKR 4,000,000 p.p LKR 3,000 p.sq.ft	6.13 P	37,248	11,016	529	47,735
15	Balangoda Pettigala Road, Balangoda	Market Comparable Method Price per perch for land Quantity allowance	LKR 600,000 p.p 5%	3 R 22.04 P	12,563	-	-	12,563
16	Deal Place 2, Deal Place, Colombo 3	Market Comparable Method Price per perch for land	LKR 16,000,000 p.p	19.00 P	208,640	-	-	208,640
17	Gampola 44, Kandy Road, Gampola	Market Comparable Method Price per perch for land Price per square foot for building	LKR 4,000,000 p.p LKR 4,000 p.sq.ft	13.50 P	54,000	23,100	1,019	76,081
18	Koggala 9, Export Processing Zone, Koggala	Market Comparable Method Price per square foot for building	LKR 3,000 p.sq.ft	20.00 P	-	5,850	494	5,356
19	Negombo 115, Rajapaksa Broadway, Negombo	Market Comparable Method Price per perch for land Price per square foot for building	LKR 4,000,000 p.p LKR 5,000 p.sq.ft	29.15 P	116,600	24,700	887	140,413
20	Kandana 99, Station Road, Kandana	Market Comparable Method Price per perch for land	LKR 1,500,000 p.p	1 A 1 R 9.84 P	314,760	-	-	314,760
Total Freehold Land and Buildings - Bank					1,912,805	340,149	19,660	2,233,294
21	Seylan Towers - East Tower 90, Galle Road, Colombo 3	Investment Method Estimated rent income per month per square foot for building	LKR 217.50 p.sq.ft			2,631,357		2,631,357
Total Freehold Buildings - Subsidiary						2,631,357		2,631,357
Total Freehold Land and Buildings - Group					1,912,805	2,971,506	19,660	4,864,651

Descriptions of the above valuation techniques together with narrative description on sensitivity of the fair value measurement to changes in significant unobservable inputs are given below:

Valuation technique	Significant unobservable valuation inputs	Sensitivity of the fair value measurement to inputs
Market Comparable Method		
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for land Price per square foot for building Depreciation rate for building	Estimated fair value would get increased / (decreased) if; Price per perch would get higher / (lower) Price per square foot would get higher / (lower) Depreciation rate for building would get lower / (higher)
Investment Method		
This method involves the capitalisation of the expected rental income at an appropriate rate of years purchased currently characterised by the real estate market.	Gross annual rentals Years of purchase	Estimated fair value would get increased / (decreased) if; Gross annual rentals would get higher / (lower) Years purchase would get higher / (lower)
Depreciated Replacement Cost Method		
This method involves the capitalisation of the expected cost of construction at an appropriate remaining life of the building.	Cost of construction Full life of building Remaining life of building	Estimated fair value would get increased / (decreased) if; Cost of construction would get higher / (lower)

30.5 Revaluation - Freehold Land and Buildings

The fair value measurements for all of the freehold land and buildings have been categorised as Level 3 fair value measurements.

If freehold land and buildings were stated at historical cost, the amounts would have been as follows:

Properties Revalued	Bank					
	2022			2021		
	Land LKR '000	Buildings LKR '000	Total LKR '000	Land LKR '000	Buildings LKR '000	Total LKR '000
Cost	462,558	126,197	588,755	462,558	126,197	588,755
Accumulated Depreciation	-	(58,334)	(58,334)	-	(55,202)	(55,202)
Carrying Value	462,558	67,863	530,421	462,558	70,995	533,553

Notes to the Financial Statements

31 Right-of-use Assets

SLFRS 16 - "Leases", requires lessee to recognise all leases on their Statement of Financial Position as lease liabilities with the corresponding right-of-use assets.

31.1 Lease Payable as Lessee

The Group has obtained certain branches and office premises under Lease. The leases generally run for a period of 10 years, with an option to renew the lease after that date. Bank's subsidiary, Seylan Developments PLC had entered into a 99 year lease with the Urban Development Authority (UDA) with the view of set up/ conduct and operate a business for the construction of an office and an apartment complex on the year of 1992. The Company pays a nominal rent to the UDA for occupying the land.

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Balance as at 01st January	4,791,175	4,450,659	2,594,737	2,220,501
Additions for the Year	551,432	837,770	551,432	837,770
Depreciation Charge for the Year	(460,289)	(455,160)	(426,586)	(421,441)
Reversal on Early Termination /Others	-	(42,094)	2,986	(42,093)
Balance as at 31st December	4,882,318	4,791,175	2,722,569	2,594,737
31.1.1 Lease Liabilities				
Balance as at 01st January	4,889,598	4,446,175	2,007,245	1,582,937
Additions for the Year	494,206	865,792	494,206	846,265
Accretion of Interest	470,008	452,003	185,678	167,628
Payments	(752,565)	(822,434)	(474,202)	(537,647)
Reversal on Early Termination /Others	-	(51,938)	41,631	(51,938)
Balance as at 31st December	5,101,247	4,889,598	2,254,558	2,007,245
31.1.2 Amounts Recognised in Income Statement				
Interest on Lease Liabilities	470,008	452,003	185,678	167,628
Recognised in Interest Expenses	470,008	452,003	185,678	167,628
Expenses relating to Short - Term and Low - Value Assets	6,264	14,752	6,264	14,752
Depreciation - Right-of-use-Assets	460,289	455,160	426,586	421,441
Recognised in Operating Expenses	466,553	469,912	432,850	436,193
Total Amount Recognised in Income Statement	936,561	921,915	618,528	603,821
31.1.3 Amounts Recognised in Statement of Cash Flows				
Repayment of Principal Portion of Lease Liability	752,565	822,434	474,202	537,647

31.2 Lease Receivable as Lessor

The Group rents its own properties through its subsidiary. Seylan Developments PLC leases out its investment property held under operating leases to its tenants.

Maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date as follows;

	Bank		Group	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Maturity Analysis - Contractual Undiscounted Cash Flows				
Less than one year	-	-	79,111	59,871
Between one and five years	-	-	15,116	44,392
More than five years	-	-	-	4,243
	-	-	94,227	108,506

32 Investment Properties

	Bank		Group	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Cost				
Balance as at 01st January	-	-	1,212,952	1,179,227
Additions during the Year	-	-	43,087	33,725
Cost as at 31st December (Note 32.1)	-	-	1,256,039	1,212,952
Provision for Impairment	-	-	(71,462)	(71,462)
Cost less Impairment as at 31st December	-	-	1,184,577	1,141,490
Accumulated Depreciation				
Balance as at 01st January	-	-	271,232	251,161
Charge for the Year	-	-	26,665	20,071
Balance as at 31st December	-	-	297,897	271,232
Carrying Value as at 31st December	-	-	886,680	870,258

32.1 Investment Properties (Group) - 2022

Address	Group			
	Extent	Date of Valuation	Cost	Market Value
			LKR '000	LKR '000
Seylan Towers -West Tower 90, Galle Road, Colombo 3	111,191sq.ft	31/12/2022	1,182,327	1,726,675
Moratuwa Lake Villas, St.Peter's Road, Moratuwa	0A 1R 05P	31/12/2022	3,361	4,700
Ja-Ela Commercial Complex*			70,351	-
			1,256,039	

* Full provision for impairment has been made.

Group has recorded LKR 103,704,324.00 (2021: LKR 75,266,640.00) as rental income for the year ended 31st December 2022.

Group has incurred LKR 25,506,079.00 (2021 LKR 18,283,488.00) as direct operating expenses and LKR 10,798,269.00 (2021 LKR 6,418,307.00) as repair and maintenance for the year ended 31st December 2022.

There were no direct expenses incurred for the properties, which do not generate rental income.

Notes to the Financial Statements

Methods and Assumptions used in the Fair Valuation of Investment Properties

Subsidiary-Seylan Developments PLC

Property	Name and Qualifications of the Valuer	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Seylan Towers -West Tower 90, Galle Road, Colombo 3.	Sunil Fernando & Associates (Pvt) Ltd. Chartered Valuation Surveyors	Market rental based Income Method of valuation and Depreciated Replacement Value basis of valuation have been adopted. As the subject property is of two mix uses, commercial and residential, a prudent investor is expected to make his bid to purchase on two different yields based on two different risks attached to the commercial and residential uses of the property.	Rentals of two similar residential apartment buildings have been taken as comparable residential market rents (LKR 625,000 & LKR 675,000).	There is a direct relationship between the estimated fair value and market rents.
			All risk rates for residential segment of the subject property has been taken at 4% and 6%.	There is an inverse relationship between the estimated fair value and all risk rates.
			Current replacement cost of construction is estimated as LKR 32,500 per sq. ft.	Estimated fair value of a building would increase if replacement cost gets higher.
			Full life of the building is taken as 100 years and the remaining life is taken as 65 years limiting them to the conditions in lease agreement.	Increase in lifetime of the building will result in to increase in the estimated fair value.
			Land Value is taken at LKR 18,000,000 per perch.	Estimated fair value of land would increase if the market value of the land gets higher.
Moratuwa Lake Villas, St.Peter's Road, Moratuwa.	Sunil Fernando & Associates (Pvt) Ltd. Chartered Valuation Surveyors	The valuation based on; - observable inputs such as ARR, cost of sale, interest rates and cost of construction. - the interest rate for capitalisation derived from the market sector and the risk yield a third party market participant accepts for such an investment.	The available evidence of land values in the locality was considered.	Estimated fair value would increase if the market value of the land gets higher.

33 Intangible Assets

Software and Software Related

	Bank/Group	
	2022	2021
	LKR '000	LKR '000
Cost		
Balance as at 01st January	2,778,399	2,628,517
Additions for the Year	102,672	149,882
Write - Offs during the Year	-	-
Balance as at 31st December	2,881,071	2,778,399
Accumulated Amortisation		
Balance as at 01st January	2,185,505	2,007,987
Amortisation for the Year	185,420	177,518
Write - Offs during the Year	-	-
Balance as at 31st December	2,370,925	2,185,505
Net Carrying Amount	510,146	592,894

There were no restrictions on the title of the Intangible Assets of the Bank as at the reporting date. Further, there were no items pledged as securities for liabilities.

34 Deferred Tax Liabilities / (Assets)

	Bank		Group	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 01st January	257,574	1,469,778	582,395	1,789,866
Recognised in the Profit or Loss (Note 16.1.2)				
Charge / (Reversal) for the Year	(3,704,103)	(483,654)	(3,446,050)	(522,791)
Charge / (Reversal) for the Year - Impact on Changes in Tax Rate	(22,338)	(65,718)	(39,640)	(51,593)
	(3,726,441)	(549,372)	(3,485,690)	(574,384)
Recognised in Other Comprehensive Income				
Effect on Revaluation of Property, Plant and Equipment	-	179,564	(104,501)	249,117
Effect on Revaluation of Property, Plant and Equipment - Impact on Changes in Tax Rate	94,603	(33,141)	193,370	(90,340)
Effect on Net Fair Value Losses / (Gains) on Financial Investment measured at FVOCI	139,613	(683,328)	138,019	(676,460)
Effect on Net Fair Value Losses / (Gains) on Financial Investment measured at FVOCI - Impact on Changes in Tax Rate	(7,990)	(108,639)	(8,131)	(115,404)
Effect on Reclassification Portfolio	(493,666)	-	(493,666)	-
	(267,440)	(645,544)	(274,909)	(633,087)
Effect on Reclassification Portfolio	493,666	-	493,666	-
Recognised in Equity				
Effect on Revaluation of Property, Plant and Equipment	-	(17,288)	-	-
Balance as at 31st December (Notes 34.1)	(3,242,641)	257,574	(2,684,538)	582,395

As per the Inland Revenue (Amendment) Act No. 45 of 2022, the Income Tax Rate has been increased from 24% to 30%. Accordingly Deferred Tax has been computed at 30%. The net Deferred Tax movement for the year 2022 includes the impact on change in Tax Rate amounting to LKR 145.6 Mn. for the Group.

As per the Inland Revenue (Amendment) Act No. 10 of 2022, the Income Tax Rate has been reduced from 28% to 24%. Therefore, the net Deferred Tax movement for the year 2021 includes the impact on change in Tax Rate amounting to LKR 257.34 Mn. for the Group.

Notes to the Financial Statements

34.1 Analysis of Deferred Tax Assets and Liabilities

	Bank				Group			
	2022		2021		2022		2021	
	Temporary Difference	Tax	Temporary Difference	Tax	Temporary Difference	Tax	Temporary Difference	Tax
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Deferred Tax - Liabilities								
Property, Plant and Equipment	978,154	293,446	1,045,894	251,015	1,127,009	338,103	1,195,169	286,841
Lease Receivables	949,098	284,729	1,345,235	322,856	949,095	284,729	1,345,232	322,856
Revaluation Gain Brought Forward	-	-	-	-	1,595,001	478,500	1,595,001	382,800
Reserve on Land Revaluation	640,288	192,086	640,288	153,669	640,288	192,086	640,288	153,669
Reserve on Building Revaluation	107,894	32,368	107,894	25,895	107,894	32,368	107,894	25,895
Revaluation Surplus on Land	828,531	248,559	828,531	198,847	828,531	248,559	828,531	198,847
Right-of-use Assets	-	-	-	-	761,344	228,403	15,174	3,642
Reversal of Revaluation Loss on Property, Plant and Equipment	-	-	-	-	-	-	51,116	12,268
Other Provisions	16,654	4,996	-	-	16,653	4,996	-	-
Fair value changes recognised through OCI	333,790	100,137	-	-	349,330	104,799	-	-
	3,854,409	1,156,321	3,967,842	952,282	6,375,145	1,912,543	5,778,405	1,386,818
Deferred Tax - Assets								
Leave Encashment Provision	252,450	75,735	248,862	59,727	252,447	75,734	248,860	59,726
Other Provisions	-	-	140,565	33,736	-	-	140,567	33,736
Enhanced Gratuity	1,568,424	470,527	1,753,481	420,835	1,568,424	470,527	1,753,481	420,835
Right-of-use Assets	249,625	74,888	148,525	35,646	579,137	173,741	579,137	138,993
Tax Losses Carried Forward (Note 16.3)	-	-	-	-	-	-	22,213	5,331
Expected Credit Loss Allowance	12,592,708	3,777,812	471,987	113,277	12,592,711	3,777,813	471,988	113,277
Reversal of Revaluation Loss on Property, Plant and Equipment	-	-	-	-	330,887	99,266	-	-
Fair value changes recognised through OCI*	-	-	131,198	31,487	-	-	142,266	32,525
	14,663,207	4,398,962	2,894,618	694,708	15,323,606	4,597,081	3,358,512	804,423
Net (Taxable) / Deductible Temporary Differences	(10,808,798)	(3,242,641)	1,073,224	257,574	(8,948,461)	(2,684,538)	2,419,893	582,395

*The group balance as at 31st December 2021 includes Capital Gain Tax at the rate of 10% amounting to LKR 1.16 Mn.

34.1.1 Movement in Temporary Differences

	Bank										
	2022					2021					
	Balance as at 01st January	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Recognised in Equity	Balance as at 31st December	Balance as at 01st January	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Recognised in Equity	Balance as at 31st December	
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
Deferred Tax Liabilities on											
Property, Plant and Equipment	1,045,894	(67,740)	-	-	978,154	1,255,471	(209,577)	-	-	1,045,894	
Lease Receivables	1,345,235	(396,137)	-	-	949,098	1,889,855	(544,620)	-	-	1,345,235	
Revaluation Gain Brought Forward	-	-	-	-	-	61,736	-	-	(61,736)	-	
Reserve on Land Revaluation	640,288	-	-	-	640,288	-	-	640,288	-	640,288	
Reserve on Building Revaluation	107,894	-	-	-	107,894	-	-	107,894	-	107,894	
Revaluation Surplus on Land	828,531	-	-	-	828,531	828,531	-	-	-	828,531	
Right-of-use Assets	-	-	-	-	-	79,656	(79,656)	-	-	-	
Expected Credit Loss Allowance	-	-	-	-	-	160,100	(160,100)	-	-	-	
Other Provisions	-	16,654	-	-	16,654	-	-	-	-	-	
Fair value changes recognised through OCI	-	-	333,790	-	333,790	2,715,992	-	(2,715,992)	-	-	
	3,967,842	(447,223)	333,790	-	3,854,409	6,991,341	(993,953)	(1,967,810)	(61,736)	3,967,842	
Deferred Tax Assets on											
Leave Encashment Provision	248,862	3,588	-	-	252,450	253,248	(4,386)	-	-	248,862	
Other Provisions	140,565	(140,565)	-	-	-	126,604	13,961	-	-	140,565	
Enhanced Gratuity	1,753,481	(185,057)	-	-	1,568,424	1,341,376	412,105	-	-	1,753,481	
Reversal of Revaluation Loss on Property, Plant and Equipment	-	-	-	-	-	20,911	(20,911)	-	-	-	
Right-of-use Assets	148,525	101,100	-	-	249,625	-	148,525	-	-	148,525	
Expected Credit Loss Allowance	471,987	12,120,721	-	-	12,592,708	-	471,987	-	-	471,987	
Fair value changes recognised through OCI	131,198	-	(131,198)	-	-	-	-	131,198	-	131,198	
	2,894,618	11,899,787	(131,198)	-	14,663,207	1,742,139	1,021,281	131,198	-	2,894,618	
Net (Taxable) / Deductible Temporary Differences	1,073,224	(12,347,010)	464,988	-	(10,808,798)	5,249,202	(2,015,234)	(2,099,008)	(61,736)	1,073,224	

Notes to the Financial Statements

34.1.2 Movement in Temporary Differences

	Group									
	2022					2021				
	Balance as at 01st January	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Recognised in Equity	Balance as at 31st December	Balance as at 01st January	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Recognised in Equity	Balance as at 31st December
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Deferred Tax Liabilities on										
Property, Plant and Equipment	1,195,169	(68,160)	-	-	1,127,009	1,405,108	(209,939)	-	-	1,195,169
Lease Receivables	1,345,232	(396,137)	-	-	949,095	1,889,853	(544,621)	-	-	1,345,232
Revaluation Gain Brought Forward	1,595,001	-	-	-	1,595,001	1,313,093	-	281,908	-	1,595,001
Reserve on Land Revaluation	640,288	-	-	-	640,288	-	-	640,288	-	640,288
Reserve on Building Revaluation	107,894	-	-	-	107,894	-	-	107,894	-	107,894
Revaluation Surplus on Land	828,531	-	-	-	828,531	828,531	-	-	-	828,531
Right-of-use Assets	15,174	746,170	-	-	761,344	15,174	-	-	-	15,174
Reversal of Revaluation Loss on Property, Plant and Equipment	51,116	-	(51,116)	-	-	51,116	-	-	-	51,116
Expected Credit Loss Allowance	-	-	-	-	-	160,100	(160,100)	-	-	-
Other Provisions	-	16,653	-	-	16,653	-	-	-	-	-
Fair value changes recognised through OCI	-	-	349,330	-	349,330	2,682,003	-	(2,682,003)	-	-
	5,778,405	298,526	298,214	-	6,375,145	8,344,978	(914,660)	(1,651,913)	-	5,778,405
Deferred Tax Assets on										
Leave Encashment Provision	248,860	3,587	-	-	252,447	253,248	(4,388)	-	-	248,860
Other Provisions	140,567	(140,567)	-	-	-	126,604	13,963	-	-	140,567
Enhanced Gratuity	1,753,481	(185,057)	-	-	1,568,424	1,341,377	412,104	-	-	1,753,481
Right-of-use Assets	579,137	-	-	-	579,137	-	579,137	-	-	579,137
Tax Losses Carried Forward (Note 16.3)	22,213	(22,213)	-	-	-	231,372	(209,159)	-	-	22,213
Expected Credit Loss Allowance	471,988	12,120,723	-	-	12,592,711	-	471,988	-	-	471,988
Reversal of Revaluation Loss on Property, Plant and Equipment	-	-	330,887	-	330,887	-	-	-	-	-
Fair value changes recognised through OCI	142,266	-	(142,266)	-	-	-	-	142,266	-	142,266
	3,358,512	11,776,473	188,621	-	15,323,606	1,952,601	1,263,645	142,266	-	3,358,512
Net (Taxable) / Deductible Temporary Differences	2,419,893	(11,477,947)	109,593	-	(8,948,461)	6,392,377	(2,178,305)	(1,794,179)	-	2,419,893

35 Other Assets

	Bank		Group	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Deposits and Prepayments	951,599	588,252	970,400	604,872
Clearing House Balance	3,406,604	2,401,929	3,406,604	2,401,929
Inventories	202,167	149,226	216,854	155,490
Sundry Debtors	1,557,790	953,981	1,557,790	953,981
Other Receivables	5,637,368	2,411,162	5,637,368	2,411,162
Due from Trust Companies	23	113,154	23	113,154
Prepaid Staff Cost	1,659,511	1,571,473	1,660,121	1,571,564
Other Debtors	1,440,695	1,134,648	1,472,159	1,145,976
Total Other Assets	14,855,757	9,323,825	14,921,319	9,358,128
Expected Credit Loss Allowance (Note 35.1)	(347,246)	-	(347,246)	-
Total Other Assets-Net	14,508,511	9,323,825	14,574,073	9,358,128
35.1 Movements in Expected Credit Loss During the year				
Stage 3				
Balance as at 01st January	-	-	-	-
Charge/ (Write back) to Income Statement (Note 13)	347,246	-	347,246	-
Balance as at 31st December	347,246	-	347,246	-

36 Due to Banks

	Bank/Group	
	2022	2021
	LKR '000	LKR '000
Call Money Borrowings	-	3,161,415
Refinance Borrowings	6,341,465	13,712,877
Borrowings from Local Banks	479	479
Borrowings from Foreign Banks	325,252	158,724
Borrowings from Development Finance Institutions	5,490,834	7,470,892
Total Due to Banks	12,158,030	24,504,387

37 Financial Liabilities at Amortised Cost - Due to Depositors

	Bank/Group	
	2022	2021
	LKR '000	LKR '000
Total Due to Depositors	547,315,755	488,653,328
37.1 Analysis of Due to Depositors		
37.1.1 By Product		
Local Currency		
Demand Deposits	29,498,758	32,573,865
Savings Deposits	100,498,708	120,614,752
Time Deposits	309,006,995	266,347,846
Certificates of Deposit	1,034,256	2,261,974
Total Due to Depositors - Local Currency	440,038,717	421,798,437

Notes to the Financial Statements

	Bank/Group	
	2022	2021
	LKR '000	LKR '000
Foreign Currency		
Demand Deposits	6,197,250	4,046,127
Savings Deposits	26,911,406	15,808,384
Time Deposits	74,168,382	47,000,380
Total Due to Depositors - Foreign Currency	107,277,038	66,854,891
Total Due to Depositors by Product	547,315,755	488,653,328
37.1.2 By Currency		
Sri Lankan Rupee	440,038,717	421,798,437
United States Dollar	90,534,266	57,403,254
Great Britain Pound	5,033,220	3,201,733
Euro	2,991,649	2,134,605
Australian Dollar	7,186,983	2,499,806
Japanese Yen	743,998	1,128,491
Canadian Dollar	352,433	228,080
Singapore Dollar	263,449	141,105
Other currencies	171,040	117,817
Total Due to Depositors by Currency	547,315,755	488,653,328
37.1.3 By Customer Category		
Banks	2,844,131	3,772,329
Finance Companies	1,184,852	2,116,712
Other Customers	543,286,772	482,764,287
Total Due to Depositors by Customer Category	547,315,755	488,653,328
37.1.4 By Maturity		
Due within One Year	504,681,299	459,960,637
Due after One Year	42,634,456	28,692,691
Total Due to Depositors by Maturity	547,315,755	488,653,328
38 Financial Liabilities at Amortised Cost - Due to Debt Securities Holders		
	Bank/Group	
	2022	2021
	LKR '000	LKR '000
Securities Sold under Repurchase Agreements (Repo)	11,944,370	2,662,377
	11,944,370	2,662,377
39 Financial Liabilities at Amortised Cost - Due to Other Borrowers		
	Bank/Group	
	2022	2021
	LKR '000	LKR '000
Refinance Borrowings - Other Institutions (Coconut Cultivation Board)	7,483	7,295
	7,483	7,295
40 Group Balances Payable		
	Bank	
	2022	2021
	LKR '000	LKR '000
Seylan Developments PLC	202,382	191,810
	202,382	191,810

41 Debt Securities Issued

41.1 Fixed Rate Debentures

Issue	Interest Rate	Colombo Stock Exchange Listing	Subordinated / Unsubordinated	Interest Payable Frequency	Allotment Date	Maturity Date	Face Value	Bank/Group	
								Amortised Cost	
								2022	2021
							LKR '000	LKR '000	LKR '000
2016 - 2023	13.75% p.a	Listed	Subordinated	Semi - Annually	15.07.2016	14.07.2023	3,272,280	3,481,840	3,481,840
2018 - 2023	12.85% p.a	Listed	Subordinated	Semi - Annually	29.03.2018	28.03.2023	3,910,000	3,936,085	3,936,085
2018 - 2025	13.20% p.a	Listed	Subordinated	Semi - Annually	29.03.2018	28.03.2025	715,000	739,306	739,306
2018 - 2028	13.50% p.a	Listed	Subordinated	Semi - Annually	29.03.2018	28.03.2028	1,609,000	1,664,940	1,664,940
2019 - 2024	15.00% p.a	Listed	Subordinated	Annually	18.04.2019	17.04.2024	3,773,400	4,141,410	4,141,410
2019 - 2024	14.50% p.a	Listed	Subordinated	Semi - Annually	18.04.2019	17.04.2024	1,226,600	1,263,146	1,263,146
2021 - 2026	9.75% p.a	Listed	Subordinated	Annually	12.04.2021	12.04.2026	5,352,020	5,729,447	5,729,447
2021 - 2026	9.25% p.a	Listed	Subordinated	Quarterly	12.04.2021	12.04.2026	647,980	661,281	661,281
Total Debentures								21,617,455	21,617,455

	Bank/Group			
	2022		2021	
	Face Value	Amortised Cost	Face Value	Amortised Cost
	LKR '000	LKR '000	LKR '000	LKR '000
41.2 Debentures due				
As at 31st December				
- Payable within one year	7,182,280	7,417,924	-	-
- Payable after one year	13,324,000	14,199,531	20,506,280	21,617,455
Total Debentures	20,506,280	21,617,455	20,506,280	21,617,455

42 Current Tax Liabilities

	Bank		Group	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 01st January	1,623,966	869,896	1,611,832	846,582
Charge for the Year (Note 16.1.1)	5,643,038	1,918,662	5,704,578	1,945,448
(Over) / Under Provisions	-	77,946	-	77,946
Payments	(2,138,520)	(1,242,538)	(2,138,520)	(1,242,538)
Other Adjustments	-	-	1,110	(15,606)
Balance as at 31st December	5,128,484	1,623,966	5,179,000	1,611,832

Notes to the Financial Statements

43 Other Liabilities

	Bank		Group	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Accrued Expenses	1,323,588	1,286,746	1,340,050	1,303,136
Margin Accounts	1,030,803	1,350,738	1,030,803	1,350,738
Deposit Funding Accounts	2,948,163	2,314,163	2,948,163	2,314,163
Dividend Payable	18,758	34,128	48,141	59,768
Provision for Defined Benefit Obligations (Net) (Note 43.1.1)	1,316,918	1,017,990	1,308,548	1,011,350
Sundry Creditors	2,316,119	1,303,584	2,316,119	1,303,584
Value Added Tax and Other Statutory Payables	417,501	205,701	424,407	209,952
Cheques Payable	339,089	661,489	339,089	661,489
Leave Encashment Provision (Note 43.2)	252,450	248,862	252,450	248,862
Expected Credit Loss Allowance on Undrawn Credit Commitments and Financial Guarantees (Note 43.3)	1,195,082	1,334,591	1,195,082	1,334,591
Other Creditors	2,814,856	1,140,941	2,782,391	1,142,180
Total Other Liabilities	13,973,327	10,898,933	13,985,243	10,939,813

43.1 Defined Benefit Obligations

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank operates an approved Gratuity Fund to facilitate the payments for permanent staff of the Bank.

Refer to the Note 5.16.1 to the Financial Statements on "Defined Benefit Plan". The shares acquired by the Gratuity Trust Fund for the settlement of enhanced gratuity liabilities have been recorded under plan assets.

Based on the Sri Lanka Accounting Standard (LKAS) 19 – "Employee Benefits" the Subsidiary has adopted the Actuarial Valuation Method. Accordingly provisions have been made based on the above method.

The gratuity liabilities are externally funded through plan assets of the Gratuity Trust Fund.

Actuarial Valuation as at 31st December 2022 was carried out by Actuarial and Management Consultants (Private)Limited.

	Bank		Group	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
43.1.1 The Amount Recognised in the Statement of Financial Position				
Present Value of Defined Benefit Obligations (Note 43.1.3)	4,169,265	3,927,171	4,178,505	3,936,542
Fair Value of Plan Assets (Note 43.1.4)	(2,852,347)	(2,909,181)	(2,869,957)	(2,925,192)
Provision for Defined Benefit Obligations	1,316,918	1,017,990	1,308,548	1,011,350
43.1.2 Plan Assets				
Balance with Banks	39,572	45,587	39,766	45,849
Investment in Treasury Bills, Bonds and Repo	1,773,721	2,113,787	1,773,721	2,113,787
Investments in Fixed Deposits	453,666	145,048	471,082	160,797
Expected Proceeds from Sale of Shares to be Transferred (Note 43.1.7)	3,067	1,568	3,067	1,568
Investment in Shares	582,321	603,191	582,321	603,191
	2,852,347	2,909,181	2,869,957	2,925,192

Plan Assets are held by an approved external Gratuity Trust Fund.

	Bank		Group	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
43.1.3 Movement in the Present Value of Defined Benefit Obligations (PV DBO)				
Liability for Defined Benefit Obligations as at 01st January	3,927,171	3,919,923	3,936,542	3,929,832
Current Service Cost	202,577	183,238	203,157	353,290
Interest Cost	431,989	352,793	433,020	184,130
Past Service Cost	-	(437,045)	-	(438,012)
Actuarial (Gains)/Loss on PV DBO (Note 43.1.5)	(36,965)	174,774	(38,511)	174,995
Benefits Paid by the Plan	(355,507)	(266,512)	(355,703)	(267,693)
Liability for Defined Benefit Obligations as at 31st December	4,169,265	3,927,171	4,178,505	3,936,542
43.1.4 Movement in Plan Assets				
Fair Value of Plan Assets as at 01st January	2,909,181	2,911,931	2,925,192	2,928,231
Expected Return on Plan Assets	319,837	261,914	321,598	263,381
Expected Proceeds from Sale of Trust Company Shares (Note 43.1.7)	3,067	1,568	3,067	1,568
Reversal of Expected Proceeds from Sale of Shares to be Transferred	(1,568)	(1,781)	(1,568)	(1,781)
Contribution Paid into Plan*	236,538	217,408	236,538	217,408
Benefits Paid by the Plan	(355,507)	(266,512)	(355,703)	(267,693)
Actuarial Gains/(Losses) on Plan Assets (43.1.5)	(259,201)	(215,348)	(259,167)	(215,924)
Fair Value of Plan Assets as at 31st December	2,852,347	2,909,181	2,869,957	2,925,192
* Expected contribution for 2023- LKR 259.01 Mn.				
43.1.5 Actuarial (Gains) or Losses				
Actuarial (Gains)/Losses for Year - Obligation	(36,965)	174,774	(38,511)	174,995
Actuarial (Gains)/Losses for Year - Plan Assets	259,201	215,348	259,167	215,924
	222,236	390,122	220,656	390,919
43.1.6 Amount Recognised in the Income Statement				
Current Service Cost	202,577	183,238	203,157	353,290
Interest Cost	431,989	352,793	433,020	184,130
Expected Return on Plan Assets	(319,837)	(261,914)	(321,598)	(263,381)
Past Service Cost	-	(437,045)	-	(438,012)
Amount Recognised in the Income Statement as Personnel Expenses (Note 15)	314,729	(162,928)	314,579	(163,973)
Amount Recognised in the Income Statement for Additional Gratuity (Note 15/ Note 43.1.7)	162,386	39,101	162,386	39,101
	477,115	(123,827)	476,965	(124,872)
43.1.7 Amount Recognised in the Income Statement for Additional Gratuity Expense				
Payments made to Ex. Staff Members	65,393	29,488	65,393	29,488
Provision for unclaimed enhanced gratuity by Ex. Staff Members	77,623	-	77,623	-
Expected Proceeds from Sale of Shares to be transferred	(3,067)	(1,568)	(3,067)	(1,568)
Decrease in Value of Expected Proceeds Booked in Previous Years	22,437	11,181	22,437	11,181
	162,386	39,101	162,386	39,101
43.1.8 Amount Recognised in the Other Comprehensive Income				
Actuarial Gains/(Losses) Recognised in the year	(222,236)	(390,122)	(220,656)	(390,919)
	(222,236)	(390,122)	(220,656)	(390,919)

Notes to the Financial Statements

	Bank/Group	
	2022	2021
43.1.9 Actuarial Assumptions		
Demographic Assumptions		
Mortality in service	A 1967/70 Mortality Table issued by the Institute of Actuaries London	A 1967/70 Mortality Table issued by the Institute of Actuaries London
Retirement Age*	60 Years	60 Years
Financial Assumptions**		
Discount Rate	18.50% (Subsidiary 19%)	11.00%
Salary Increment	9.50% (Subsidiary 10.50%) Next increment due on 01st January 2023	8.50% (Subsidiary 8%) Next increment due on 01st January 2022

* As per the "Minimum Requirement Age of Workers Act No. 28 of 2021".

** Will be re-visited based on market condition.

43.1.10 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Income Statement and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the Income Statement and employment benefit obligation for the year.

Bank

2022				
Increase / (Decrease) in Discount Rate %	Increase / (Decrease) in Salary Increment Rate %	Sensitivity Effect on Other Comprehensive Income Statement Increase/ (Decrease) in Charge for the year (LKR' 000)	Sensitivity Effect on Employment Benefit Obligation Increase/ (Decrease) in the Liability (LKR' 000)	
1	**	(184,501)	(184,501)	
(1)	**	200,956	200,956	
*	1	236,138	236,138	
*	(1)	(218,776)	(218,776)	

* Discount Rate is Fixed at 18.50%

** Salary Increment is 9.50%

Subsidiary

2022				
Increase / (Decrease) in Discount Rate %	Increase / (Decrease) in Salary Increment Rate %	Sensitivity Effect on Other Comprehensive Income Statement Increase/ (Decrease) in Charge for the year (LKR' 000)	Sensitivity Effect on Employment Benefit Obligation Increase/ (Decrease) in the Liability (LKR' 000)	
1	**	(411)	(411)	
(1)	**	445	445	
*	1	523	523	
*	(1)	(488)	(488)	

* Discount Rate is Fixed at 19%

** Salary Increment is 10.50%

43.1.11 Maturity Profile of the Defined Benefit Obligation**Bank**

Future Working Life Time	Defined Benefit Obligation LKR '000
Within next 12 months	650,210
Between 1-2 years	915,765
Between 2-5 years	1,023,297
Between 5-10 years	1,085,971
Beyond 10 Years	494,022
Total	4,169,265
Weighted Average Duration of Defined Benefit Obligation	5.43 years

Subsidiary

Future Working Life Time	Defined Benefit Obligation LKR '000
Within next 12 months	1,269
Between 1-2 years	1,724
Between 2-5 years	2,572
Between 5-10 years	2,534
Beyond 10 Years	1,143
Total	9,242
Weighted Average Duration of Defined Benefit Obligation	5.47 years

43.1.12 Impact of Changing the Retirement Age to 60 Years

The gratuity liability was adjusted in 2021 to reflect new legal requirement regarding the retirement age. (i.e. Gazette Notification on Minimum Requirement Age of Workers Act No 28 of 2021 [Certified on 17th of November, 2021]). As a result of the plan amendment, the Group defined benefit obligation was reduced by LKR 438 Mn. The corresponding past service cost was recognised in profit or loss during the year ended 31st December 2021.

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
43.2 Leave Encashment Provision				
Balance as at 01st January	248,862	253,248	248,862	253,248
Amount Charged / (Reversed) to Income Statement during the year	3,588	(4,386)	3,588	(4,386)
Balance as at 31st December	252,450	248,862	252,450	248,862

Notes to the Financial Statements

43.2.1 Actuarial Assumptions (Refer Note 43.1.9)

43.2.2 Sensitivity of Assumptions Employed in Actuarial Valuation

		Bank	
		2022	
Increase / (Decrease) in Discount Rate %	Increase / (Decrease) in Salary Increment Rate %	Sensitivity Effect on Income Statement Increase/ (Decrease) in Charge for the year (LKR' 000)	Sensitivity Effect on Employment Benefit Obligation Increase/ (Decrease) in the Liability (LKR' 000)
1	**	(11,696)	(11,696)
(1)	**	12,808	12,808
*	1	14,993	14,993
*	(1)	(13,810)	(13,810)

* Discount Rate is Fixed at 18.50%

** Salary Increment is 9.50%

43.3 Expected Credit Loss Allowance on Undrawn Credit Commitments and Financial Guarantees

	Bank/Group	
	2022	2021
	LKR '000	LKR '000
Balance as at 01st January	1,334,591	342,216
Charge/(Write back) to Income Statement (Note 13)	(139,509)	992,375
Balance as at 31st December	1,195,082	1,334,591

43.3.1 Stagewise Movements in Expected Credit Loss Allowance during the year

Stage 1		
Balance as at 01st January	1,313,972	342,216
Charge/(Write back) to Income Statement	(136,684)	971,756
Balance as at 31st December	1,177,288	1,313,972
Stage 2		
Balance as at 01st January	5,440	-
Charge/(Write back) to Income Statement	5,055	5,440
Balance as at 31st December	10,495	5,440
Stage 3		
Balance as at 01st January	15,179	-
Charge/(Write back) to Income Statement	(7,880)	15,179
Balance as at 31st December	7,299	15,179

44 Stated Capital

	Bank/Group					
	2022			2021		
	Ordinary Shares - Voting LKR '000	Ordinary Shares - Non-Voting LKR '000	Total LKR '000	Ordinary Shares - Voting LKR '000	Ordinary Shares - Non-Voting LKR '000	Total LKR '000
Balance as at 01st January	11,521,263	6,802,619	18,323,882	11,136,187	6,412,160	17,548,347
Issued for Scrip Dividend	792,802	809,769	1,602,571	385,076	390,459	775,535
Balance as at 31st December	12,314,065	7,612,388	19,926,453	11,521,263	6,802,619	18,323,882

44.1 Movements in Number of Shares

	Bank/Group					
	2022			2021		
	Ordinary Shares - Voting	Ordinary Shares - Non- Voting	Total	Ordinary Shares - Voting	Ordinary Shares - Non- Voting	Total
Balance as at 01st January	264,267,493	269,923,190	534,190,683	256,716,994	260,305,975	517,022,969
Issued for Scrip Dividend	18,437,267	25,148,123	43,585,390	7,550,499	9,617,215	17,167,714
Balance as at 31st December	282,704,760	295,071,313	577,776,073	264,267,493	269,923,190	534,190,683

45 Statutory Reserve Fund

	Bank/Group	
	2022	2021
	LKR '000	LKR '000
Balance as at 01st January	2,332,549	2,103,522
Transferred during the Year *	235,613	229,027
Balance as at 31st December	2,568,162	2,332,549

* 5% of Net Profit after Tax.

Statutory Reserve Fund represents the statutory requirement in terms of the Section 20 (1) and (2) of the Banking Act No. 30 of 1988.

46 Other Reserves

	Bank		Group	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Capital Reserve (Note 46.1)	418,021	418,021	673,234	673,234
Revaluation Reserve (Note 46.2)	1,374,219	1,468,822	2,269,369	2,374,135
General Reserve (Note 46.3)	33,787	33,787	33,787	33,787
Fair Value through Other Comprehensive Income Reserve (Note 46.4)	(1,183,105)	(245,179)	(1,215,647)	(271,212)
Cash Flow Hedge Reserve (Note 46.5)	-	(84,246)	-	(84,246)
Investment Fund Reserve (Note 46.6)	248,767	608,756	248,767	608,756
Total Other Reserves	891,689	2,199,961	2,009,510	3,334,454
46.1 Movement in Capital Reserve				
Balance as at 01st January	418,021	418,021	673,234	673,234
Balance as at 31st December	418,021	418,021	673,234	673,234

Bank - Capital Reserve consists of the Debenture Redemption Reserve Fund of LKR 400 Mn. transferred to Capital Reserve in 2004. Debenture Redemption Reserve Fund was created for the redemption of five year Debentures amounting to LKR 400 Mn. issued in November 1999. Balance consisting of LKR 18 Mn. was transferred to Capital Reserve in 1991.

Subsidiary - Capital Redemption Reserve Fund, which was created at the time of redeeming the Preference Shares of Seylan Developments PLC (Transferred to Capital Reserve in 2011).

Notes to the Financial Statements

46.2 Movement in Revaluation Reserve

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Balance as at 01st January	1,468,822	858,312	2,374,135	1,735,867
Surplus / (Deficit) on Revaluation during the Year	-	748,182	(20,148)	800,032
Deferred Tax Impact on Revaluation (Surplus) / Deficit during the Year	-	(146,423)	6,044	(158,777)
Deferred Tax Impact on Tax Rate Change	(94,603)	-	(94,913)	-
Transferred to Non - controlling Interest	-	-	4,251	(11,610)
Transferred to Retained Earnings	-	(8,535)	-	(8,704)
Transferred from Deferred Tax	-	17,286	-	17,327
Balance as at 31st December	1,374,219	1,468,822	2,269,369	2,374,135

In addition to the Bank's Revaluation Reserve, Group includes the surplus on revaluation of Property, Plant and Equipment of the Subsidiary.

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
46.3 Movement in General Reserve				
Balance as at 01st January	33,787	33,787	33,787	33,787
Balance as at 31st December	33,787	33,787	33,787	33,787

General Reserve consists of LKR 25 Mn. transferred in 1995 to General Reserve, LKR 2.7 Mn. transferred from Bad Debts Reserve and LKR 6 Mn. transferred from Contingency Reserve in 2002 to General Reserve.

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
46.4 Movement in Fair Value through Other Comprehensive Income Reserve				
Balance as at 01st January	(245,179)	2,285,332	(271,212)	2,257,027
Net Losses on Investments in Debt Instruments Measured at Fair Value Through Other Comprehensive Income	(1,633,614)	(2,884,037)	(1,644,580)	(2,880,457)
Net Change in Fair Value on Investments in Equity Instruments Measured at Fair Value Through Other Comprehensive Income	(1,220,234)	436,898	(1,220,234)	436,898
Deferred Tax Impact on Net Fair Value (Gain) / Loss (Note 34)	362,043	791,967	363,778	791,609
Net Gains on Disposal Equity Investments transferred to Retained Earnings (Note 27.8)	(9,396)	(875,339)	(9,396)	(875,339)
Reclassification of Debt Instruments measured at Fair Value through Other Comprehensive Income (Note 26.6)	2,056,941	-	2,056,941	-
Deferred Tax impact on Reclassification of Debt Instruments measured at Fair Value through Other Comprehensive Income (Note 34)	(493,666)	-	(493,666)	-
Transferred to Non - controlling Interest	-	-	2,722	(950)
Balance as at 31st December	(1,183,105)	(245,179)	(1,215,647)	(271,212)

	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
46.5 Movement in Cash Flow Hedge Reserve				
Balance as at 01st January	(84,246)	(6,761)	(84,246)	(6,761)
Transferred to Income Statement	84,246	(77,485)	84,246	(77,485)
Balance as at 31st December	-	(84,246)	-	(84,246)
46.6 Movement in Investment Fund Reserve				
Balance as at 01st January	608,756	1,043,191	608,756	1,043,191
Transferred to Retained Earnings	(359,989)	(434,435)	(359,989)	(434,435)
Balance as at 31st December	248,767	608,756	248,767	608,756

As per the Value Added Tax (Amendment) Act No. 09 of 2011 and Inland Revenue (Amendment) Act No. 22 of 2011, Bank Transferred 8% on Value Addition Attributable to Financial Services and 5% of Taxable Profits, from Retained Profits to Investment Fund Reserve with effect from 01st January 2011. The Requirement of this transfer ceased with effect from 01st October 2014.

Transfers to the Investment Fund Reserve	LKR '000
8% on the Value Addition Attributable to Financial Services	1,257,105
5% of Taxable Profits	409,598
	1,666,703

Utilisation of Investment Fund Reserve

Qualifying Investments

Long Term Government Securities with Maturity Period Over 07 Years	Maturity Value (LKR)	Date of Maturity	Interest Rate %
Treasury Bond	230,000,000	01.07.2028	9.00
Total Investment in Government Securities	230,000,000		

Qualifying Loans

Purpose	No of Loans Granted	Amount Outstanding (LKR)	Tenure of the Loan in Years	Interest Rate %
Construction of Hotels and for Related Purpose	1	51,874,000	10	5 year Treasury Bond rate + 2%
Total Qualifying Loans		51,874,000		
Total Investment in Government Securities and Qualifying Loans		281,874,000		

Notes to the Financial Statements

47 Contingent Liabilities and Commitments

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

As at 31st December	Bank		Group	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
47.1 Contingencies				
Acceptances	11,902,376	19,502,969	11,902,376	19,502,969
Standby Letters of Credit	378,230	686,274	378,230	686,274
Guarantees	69,644,645	74,432,958	69,644,645	74,432,958
Documentary Credit	4,354,920	16,682,413	4,354,920	16,682,413
Bills for Collection	6,001,743	4,995,982	6,001,743	4,995,982
Forward Exchange Contracts (Net)	(563,439)	197,248	(563,439)	197,248
Total Contingent Liabilities	91,718,475	116,497,844	91,718,475	116,497,844
47.2 Commitments				
Undrawn Credit commitments	75,687,415	107,427,402	75,687,415	107,427,402
Capital Commitments (Note 49.1)	235,260	464,632	237,051	464,717
Total Commitments	75,922,675	107,892,034	75,924,466	107,892,119
Total Contingent Liabilities and Commitments	167,641,150	224,389,878	167,642,941	224,389,963

48. Cases against the Bank

In the normal course of business, the Bank is involved in various types of litigation with borrowers or others who have asserted or threatened claims / counter claims against the Bank.

Civil Cases

1. CHC 157/2001 (1) - (SC (CHC) APP 01/10)

Plaintiff filed action against Seylan Bank for dishonoring a Guarantee issued by former BCCI Bank after Seylan Bank took over the local operations of BCCI. Judgement delivered in favour of the plaintiff. Seylan Bank has appealed. (Guarantee value USD 72,730.23 and USD 56,732.25) Argument on 06th September 2023.

2. CHC 14/98 (1) - (SC (APP) CHC 26 / 2005 & SC (APP) CHC 26A / 2005)

Action filed claiming damages of LKR 111 Mn. for dishonoring cheques and not establishing a Letter of Credit. Judgement delivered against the Bank awarding LKR 2.5 Mn. as damages. Both the plaintiff and the Bank filed appeals against the said Judgement. Arguments on 31st May 2023.

3. D C RATNAPURA 23391/MR & HC (CIVIL) 159/06 (I)

Two actions filed claiming LKR 23,761,000 for wrongful takeover of property under Parate Action by Bank. Case No. 23391 / MR was laid by on 06th January 2022 and in respect of HC (Civil) 159 / 06 (I) judgement delivered in favour of the Bank on 15th December 2021, and customer filed Notice of Appeal.

4. CHC 744/2010/MR

Plaintiff filed action claiming damages of LKR 10 Mn. alleging negligence of the Bank due to credit card not being activated and thereby not being able to make payment. Plaintiff's action dismissed and Court allowed to proceed with the claim in reconvention. Plaintiff has appealed. Appeal case judgement delivered allowing the plaintiff to amend the plaint. Amended plaint and answer filed and the matter is fixed for Trial on 22nd March 2023.

5. CHC 559/10/MR

Plaintiff has claimed damages of LKR 5.0 Mn. stating that the Bank has wrongfully refused to issue US Dollars for travel purposes. Case dismissed on 10th April 2018 and plaintiff has appealed against the Judgement. Notice of appeal filed on 25th April 2018 and the matter is fixed for Trial on 11th May 2023.

6. DC AMPARA 356/DAMAGES

The plaintiff who is an ex-staff member of the Bank filed action claiming damages of LKR 50.0 Mn. for wrongful termination from work, wrongful custody and remand, defamation and pain of mind. Ex-parte Judgement delivered in favour of the plaintiff on 20th June 2016. Matter is fixed for inquiry on 20th March 2023.

7. CHC 157/2007/MR – (SC CHC (APP) 34/12)

Action filed against the Bank for collecting a forged cheque to an account of a client and for unjust enrichment claiming LKR 9.5 Mn. Judgement delivered in favour of the Plaintiff. Bank has appealed to the Supreme Court against the judgement. Arguments on 15th June 2023.

8. DC MOUNT LAVINIA 4246/03/M (WP/HCCA/MT/03/18/F)

Action filed claiming damages of LKR 2.0 Mn. alleging wrongful seizure of goods in execution of a writ by the Bank. Judgement delivered against the Bank on 06th November 2017 and the Bank has appealed against the said Judgement by filing Civil Appellate Case no WP/ HCCA / MT 03 / 18 (F) and same is fixed for Arguments on 21st June 2023.

9. SC/HC/LA/18/2022

The plaintiff company has filed the case bearing no DC Colombo DMR 1674/15 (CHC 90/2020 MR) claiming LKR 50.0 Mn. as damages stating that the Bank has given wrong information to the Magistrate Court under case No: B 2326/13 where one Director of the company was remanded. This action was dismissed on 11th February 2022. Plaintiff appealed on the said dismissal. Appeal case will be supported on 27th March 2023.

10. CHC 713/19 MR (DC COLOMBO DMR 1675/15)

The plaintiff has filed the above case claiming LKR 50.0 Mn. as damages stating that the Bank has given wrong information to the Magistrate Court under case No: B 2326/13 where he has been remanded. Further Trial on 09th June 2023.

11. DC COLOMBO 0093/15/DMR (WP/HCCA/82/2019/F)

This case has been filed claiming LKR 505,510.10 alleging a wrongful reduction of savings account balance. Judgement delivered in favour of the plaintiff. The Bank has appealed against the judgement. Arguments on 02nd June 2023.

12. DC AMPARA 3547/M & DC AMPARA 3548/M

These actions have been instituted by the plaintiffs claiming LKR 200.0 Mn. from each case as damages and to obtain a direction from court to return articles pawned by the plaintiffs. Both cases are fixed for further Trial on 08th May 2023.

13. CHC CIVIL 518 /2012/MR

This action has been instituted by the plaintiff stating that, the Bank has recovered more than the amount due from the plaintiff, therefore claiming a sum of LKR 49.025 Mn. Bank filed a cross claim for LKR 6,244,872.36. On 17th December 2021, case was dismissed as well as the cross claim. Both parties appealed against the judgement. Appeal is not yet listed.

14. CHC CIVIL 253 / 2017/MR

The case bearing HC Civil 253/17/MR has been instituted by the plaintiff and obtained a stay order preventing the Bank from paying USD 1,368,750.00 on a Letter of Credit. While the summons had not been served on the 3rd defendant who are the bankers of the beneficiary of the Letter of Credit and final order of same was delivered to release the Fixed Deposits held under lien with the Bank. Bank appealed against the said order under case no SC Appeal 157/2019. The Judgement was delivered on 23rd February 2022. Now the main case is fixed for summons returnable for 3rd defendant on 27th April 2023.

15. DC KALMUNAI 6029/2017/M

This action has been instituted by the plaintiff claiming that a sum of LKR 2.0 Mn. has been withdrawn from her account while her pass book and the passport was in custody of a Foreign Employment Agency. This case is fixed for Trial on 24th April 2023.

16. CHC 144/2018 MR

Plaintiff has filed this action against the Bank inter alia, the Bank has acted in contrary to their Swift instructions on a remittance and therefore suffered loss and damages in a sum of USD 3,880,000. Trial on 04th May 2023.

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17. DC COLOMBO 4237/18/DMR

A case was filed under case No. HC (Civil) 311/14/MR by the Bank to recover outstanding due to the Bank. Subsequently the said case was withdrawn by the Bank. Thereafter customer filed a case under DC Colombo 4237/18/DMR against the Bank claiming LKR 200 Mn. as damages for instituting the said case No. HC (Civil) 311/14/MR. The Case is fixed for Trial on 27th March 2023.

18. DC MATARA SPL/1151

Plaintiff is a customer and he claims that on a verbal agreement reached with the Bank, he deposited LKR 7.91 Mn. into his own account with the intention of purchasing a property acquired by the Bank under a Certificate of Sale. However, as the previous owner had settled the dues, Bank had released the property to previous owner / mortgagor of the property by cancelling the said Certificate of Sale.

Plaintiff filed the above action to get a court declaration to the effect that there had been an agreement to sell between him and the Bank and claiming LKR 5.0 Mn. as damages, for not selling the property. The Case is fixed for Answer on 03rd March 2023.

19. DSP 220/22

Bank had obtained an additional Mortgage Bond over a property that has been mortgaged to Bank of Ceylon. This property had been acquired by Bank of Ceylon under a Certificate of Sale. Bank of Ceylon filed this action against the Seylan Bank to get the Mortgage Bond executed in favour of Seylan Bank cancelled. The Case is fixed for final Answer on 15th May 2023. This case has been filed by the Bank seeking a court order on the Bank to release Guarantee value to the Plaintiff.

20. DSP 486/2022

Bank had issued two Letters of Guarantee in favour of the plaintiff at the request of the customer. Customer subsequently tendered the Original Guarantee issued by the Bank with a written request of the Beneficiary to cancel the Guarantee. Beneficiary (Plaintiff) also produced a claim over the Guarantees producing a document similar to original Guarantee issued by the Bank. This case has been instituted seeking a court direction on the Bank to honour the claims made by the plaintiff. Case is fixed for Objections on 22nd March 2023.

Cross Claims made against the Bank on Cases filed by the Bank

21. DC RATNAPURA 12734/M

Bank has filed this case in DC Ratnapura to recover the dues, there is a cross claim of LKR 2,500,000 made by the defendant. Trial is on 26th April 2023.

22. CHC 331/11/MR

Bank has initiated legal action to recover the dues of a lease facility. Customer has filed the answer with a cross claim of LKR 100.0 Mn. The Case is fixed for Trial on 12th May 2023.

23. Tax Matters Filed by the Bank

CA TAX 23/2013 (SC/APP/46/2016)

The Commissioner General of Inland Revenue had issued an assessment on the Bank for the year of assessment 2007/2008 disallowing the financial cost relating to an investment by the Bank in Sri Lanka Development Bonds. The Bank appealed against this assessment and the Tax Appeals Commission upheld assessment. This case was filed by the Bank to get an opinion from the Court of Appeal against the determination given by the Tax Appeals Commission. Court of Appeal gave an interim order in respect of a preliminary issue raised by the Bank in favour of the Commissioner General of Inland Revenue. The Bank appealed to the Supreme Court under Case No. SC/APP/46/2016 and the Supreme Court granted leave to appeal and the hearing was concluded on 28th March 2017. The matters regarding the factual details were debated in the Court of Appeal. Subsequently, the judgment by the Supreme Court was given in favour of the Bank upholding the preliminary objection taken by the Bank. CA TAX 23/2013 will be mentioned on 03rd March 2023.

Cases filed against the Bank (others)

Apart from the above cases, there are appeals filed against the Bank, Land related cases and Partition cases filed over the properties mortgaged to the Bank, Winding up actions filed against the customers who have been enjoying credit facilities with the Bank, Claim cases filed over the properties seized under court action, Testamentary Cases filed over the estate of deceased clients who have been enjoying credit facilities, writ applications filed in Court of Appeal, appeals filed on eviction orders, appeal filed against the defamation case filed by the Bank and cases filed against the Bank on other matters.

Labour Related Cases

24. Cases against Share Owning Trust Companies and Bank, Cases filed by Ex-employees and Bank against orders of Commissioner General of Labour and other Court Orders

Filed DTR 003/2016 to DTR 006/2016 against the share owning trust companies, Seybest (Private) Limited, Seyfest (Private) Limited, Sesot (Private) Limited and Seyshop (Private) Limited and the Bank in District Court Colombo. Relief sought is for the implementation of the Trust Deeds. Court made order that all points of issues of the cases will be decided after conclusion of recording all evidence. DTR 003/2016 and DTR 004/2016 cases due for Defendant / Bank / Trust company evidence on 23rd March 2023. Cross examination of plaintiffs / hearing of the cases DTR 005/2016 and DTR 006/2016 are due on 29th March 2022.

Filed DTR 154/2016 to DTR 158/2016 against the share owning trust companies Esots (Private) Limited, Sesot (Private) Limited, Sotse (Private) Limited, Seyfest (Private) Limited and Seybest (Private) Limited and the Bank in District Court Colombo. Relief sought is for the implementation of the Trust Deeds. Plaintiffs served interrogatories and the Bank was directed by Court to reply those. The Bank appealed to Civil Appeal High Court of Colombo (CA/HC/CMB) against that directive. These Appeals were dismissed on 13th October 2020 and both parties Appealed to Supreme Court. In December 2022 certain Plaintiffs withdrew from the case DTR 154/2016 and Plaintiff was amended and amended answer due. In January 2023 Plaintiffs filed a motion seeking an order under section 109 of Civil Procedure Code as the Supreme Court has not yet issued an order restraining proceedings pending the Appeals. The motion filed in the cases DTR 154/2016 and DTR 156/2016 will be supported on 28th February 2023. Written submissions of both parties of the cases DTR 155/2016, DTR 157/2016 and DTR 158/2016 due on 03rd April 2023. The Appeals, SC(HC)CA/LA 338/2020, SC(HC)CA/LA 339/2020 and SC(HC)CA/LA 341/2020 to SC(HC)CA/LA 343/2020 are fixed for support / granting leave on 23rd May 2023.

DTR 007/2017 and DTR 008/2017 filed by 58 ex-employees against the Bank and Seyfest (Private) Limited and Sesot (Private) Limited. The relief sought is to obtain judgement declaring the trusts as valid and its implementation. Plaintiff was amended reflecting withdrawal and death of parties and substitution in place of dead parties. Amended Plaintiff filed and amended answer of the Bank and Trust companies are due on 27th April 2023.

Filed DTR 002/2018 to DTR 004/2018 against the share owning trust companies Seyshop (Private) Limited, Sotse (Private) Limited and Seybest (Private) Limited and the Bank in District Court Colombo. The relief sought is to obtain judgement declaring the trust as valid and its implementation. Plaintiff was amended reflecting withdrawal and death of parties and substitution in place of dead parties. Amended Plaintiff filed and amended answer of the Bank and Trust companies are due on 27th April 2023.

Writ application CA 88 / 2019 in Court of Appeal against the Commissioner General of Labour and an ex-employee. The Bank filed this case seeking:

- A Writ of Certiorari invalidating the directive of Commissioner General of Labour to pay additional Gratuity in excess of the statutory Gratuity.
- A Writ of Prohibition prohibiting the Commissioner General of Labour and its officers from initiating action for recovery of such additional Gratuity.

The ex-employee filed objections to this application. Counter affidavit of the Bank in reply to the objections filed and all pleadings completed. Argument fixed for 16th March 2023.

Apart from the above, there are matters filed by ex-employees against the Bank relating to determination of retirement age, termination of employment, seeking reinstatement and appeals thereof including appeals against orders for payment of additional gratuity and surcharge. An ex-employee has filed an action claiming the amount offered as voluntary retirement scheme where he has resigned from the services while a disciplinary inquiry was proceeding against him. The spouse of a deceased employee has sought to substitute legal heirs and compensation for loss of employment of the deceased employee.

Based on the available information and current status of the above cases, the Bank is not in a position to quantify the potential financial impact if any, as at the reporting date. However, we are of the opinion that the outcome of any action will not have a material effect on the financial position of the Bank.

49. Capital Commitments

Capital expenditure approved by the Board of Directors for which provision, has not been made in these Financial Statements amounted to approximately;

For the Year ended 31st December	Bank		Group	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
49.1 Approved and Contracted for	235,260	464,632	237,051	464,717
49.2 Approved but not Contracted for	21,308	55,050	21,308	58,917

Notes to the Financial Statements

50 Events after the Reporting Period

50.1 Proposed Final Dividend

The Board of Directors of the Bank recommended a final dividend of LKR 2.00 per share on both voting and non-voting shares of the Bank, to be paid by way of LKR 2.00 scrip dividend per share for the financial year 2022.

Further, this dividend is to be approved at the Annual General Meeting to be held on 30th March 2023. This proposed final dividend has not been recognised as a liability as at 31st December 2022. Final dividend proposed for the year 2022 amounts to LKR 1,155,552,146.00.

Compliance with Sections 56 and 57 of Companies Act No 7 of 2007- As required by Section 56 of the Companies Act No 07 of 2007, the Board of Directors of the Bank satisfied the solvency test in accordance with the section 57, prior to recommending the final dividend.

50.2 Proposed Debenture Issue

The Board of Directors of the Bank at its meeting held on 24th January 2023 approved (subject to the approval of the shareholders) that the Bank issues up to maximum of One Hundred and Twenty Million(120,000,000) BASEL III compliant, Tier II, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures with a Non-Viability Conversion of Rupees Hundred (LKR 100.00) each, to raise a maximum sum of Rupees Twelve Billion (LKR 12,000,000,000.00). An Extraordinary General Meeting is scheduled for 14th March 2023 seeking approval of the shareholders for the Special Resolution set out in the Notice of Meeting for the above purpose.

51. RELATED PARTY TRANSACTIONS

The Bank / Group carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related parties as per the Sri Lanka Accounting Standard - LKAS 24 - "Related Party Disclosure", other than transactions that are the Key Management Personnel (KMP) have availed under schemes uniformly applicable to all staff at concessionary rate.

51.1 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard LKAS 24 - 'Related Party Disclosures', Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly, including any Director (whether executive or otherwise) of that entity. Accordingly, the Board of Directors, Director/Chief Executive Officer, Key Employees of the Bank holding directorships in Subsidiary company have been classified as Key Management Personnel (KMP) of the Bank. As the Bank is the Ultimate Parent of its Subsidiary mentioned in Note 51.2 and the Board of Directors of the Bank has the authority and responsibility for planning, directing and controlling the activities of the Group. Accordingly, the Board of Directors of the Bank is also KMP of the Group.

For the Year ended 31st December	Bank		Group	
	2022 LKR Mn.	2021 LKR Mn.	2022 LKR Mn.	2021 LKR Mn.
51.1.1 Compensation of KMP				
Short - Term Employment Benefits	151.67	121.41	155.07	124.29
Post - Employment Benefits	12.13	10.34	12.13	10.34
Total	163.80	131.75	167.20	134.63
Other Non - Cash Benefits to KMP	1.15	1.19	1.15	1.19

51.1.2 Transactions, Arrangements and Agreements Involving KMP and their CFM

Close Family Members (CFM) of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the Bank. They may include KMP's domestic partner and children, children of the KMP's domestic partner and dependants of the KMP or the KMP's domestic partner. CFM are related parties to the Bank / Group.

51.1.2.1 Statement of Financial Position - Bank /Group

As at 31st December	2022 LKR Mn.	2021 LKR Mn.
Assets		
Loans and Advances	102.89	7.03
Credit Cards	1.68	2.48
Securities Purchased under Resale Agreement	-	7.63
Total	104.57	17.14
Liabilities		
Deposits	254.54	100.37
Other Investments	98.00	154.73
Total	352.54	255.10

51.1.2.2 Contingencies and Commitments - Bank / Group

As at 31st December	2022 LKR Mn.	2021 LKR Mn.
Undrawn Facilities	35.53	48.91
Total	35.53	48.91

Expected credit loss allowance (Stage 01) as at 31st December 2022 related to the outstanding loans and advances, credit cards and undrawn balances of KMPs' and CFMs' is an insignificant amount.

At the time of evaluating accommodations, the Board Credit Committee considered the adequacy of securities proposed for the accommodations.

51.1.2.3 Accommodation as a percentage of Bank's Regulatory capital

As at 31st December	2022	2021
Direct and Indirect Accommodation (%)*	0.22	0.10

* Includes Securities Purchased Under Resale Agreement

51.1.2.4 Income Statement - Bank /Group

For the Year ended 31st December	2022 LKR Mn.	2021 LKR Mn.
Income (Interest and Other)	7.97	2.02
Interest Expenses	35.71	23.06
Compensation to KMP-Bank	164.95	132.94
Compensation to KMP-Group	168.35	135.82

51.1.2.5 Shareholding of KMP and CFM

As at 31st December	2022	2021
Investment in Bank Shares - Voting (No. of Shares)	71,480	66,819
Investment in Bank Shares - Non Voting (No. of Shares)	242,749	222,061
Dividend Paid (LKR Mn.)	0.87	0.37

51.2 Other Related Party Transactions

The Bank / Group had the following financial dealings during the year 2022 with its related parties and unless otherwise stated, transactions were carried out in the ordinary course of business at commercial rates.

The parties given below are considered related parties mainly due to significant influence arising as a result of common directorships and through shareholdings.

Notes to the Financial Statements

51.2.1 Transactions with Other Related Parties/Common Directorships

As at 31st December	Subsidiary		Share Trust Companies and Post-Employment Benefit Plans *		State Institutions		Shareholders with Significant Influence		Common Directorship Entities	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
51.2.1.1 Statement of Financial Position - Bank / Group										
ASSETS										
Loans and Advances	24.23	-	-	96.58	-	-	12,842.04	17,689.52	1,298.84	2,282.12
Other Receivable-Rent Deposit	40.20	40.00	-	-	-	-	-	-	-	-
Equities (Quoted)	-	-	-	-	-	-	-	-	2,332.00	2,332.00
Debentures (Quoted)	-	-	-	-	-	-	50.00**	50.00**	565.25	598.50
Interest and Other Receivable	-	-	0.02	1,055.20	-	-	78.78	58.33	17.26	3.70
Total	64.43	40.00	0.02	1,151.78	-	-	12,970.82	17,797.85	4,213.35	5,216.32
LIABILITIES										
Deposit	66.49	56.07	3,883.40	3,982.47	6.64	9.98	4,033.77	1,581.69	881.74	772.60
Securities Sold Under Repurchase Agreements	-	-	1,345.00	1,225.00	-	-	-	-	-	-
Other Instruments including Debentures	129.00	129.00	8,519.37	7,075.16	2,057.28	2,057.28	-	-	-	-
Interest and Other Payable	6.89	6.74	662.70	410.94	-	-	18.64	7.89	19.32	23.62
Total	202.38	191.81	14,410.47	12,693.57	2,063.92	2,067.26	4,052.41	1,589.58	901.06	796.22

51.2.1.2 Contingencies and Commitment - Bank / Group

As at 31st December	Subsidiary		Share Trust Companies and Post-Employment Benefit Plans *		State Institutions		Shareholders with Significant Influence		Common Directorship Entities	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Non - Funded Facilities	-	-	-	-	-	-	1,944.78	2,967.04	-	51.44
Undrawn Facilities	150.77	175.00	-	104.71	-	-	4,350.41	2,925.56	2,413.67	682.19
Total	150.77	175.00	-	104.71	-	-	6,295.19	5,892.60	2,413.67	733.63

51.2.1.3 Accommodation as a Percentage of Bank's Regulatory Capital

As at 31st December	Subsidiary		Share Trust Companies and Post-Employment Benefit Plans *		State Institutions		Shareholders with Significant Influence		Common Directorship Entities	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Direct and Indirect Accommodation (%)	0.28	0.27	-	0.31	-	-	30.23	36.61	6.74	5.60

51.2.1.4 Income Statement - Bank / Group

For the Year ended 31st December	Subsidiary		Share Trust Companies and Post-Employment Benefit Plans *		State Institutions		Shareholders with Significant Influence		Common Directorship Entities	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Income	146.98	125.49	-	69.08	-	-	1,749.32	636.76	184.89	47.13
Expenses	302.57	285.20	1,355.22	1,234.57	413.31	546.19	343.83	65.75	74.54	49.91

* Includes Seylan Bank Employees' Provident Fund and Gratuity Trust Fund.

**Includes Quoted Debenture investment held by Seylan Developments PLC (500,000 Debentures @ LKR.100.00 each)

51.2.1.5 Other Transactions - Bank / Group

For the Year ended 31st December	Subsidiary		Share Trust Companies and Post- Employment Benefit Plans *		State Institutions		Shareholders with Significant Influence		Common Directorship Entities	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Other Payments (Note 43.1.4)	-	-	236.54	217.41	-	-	-	-	-	-

51.2.1.6 Shareholding of Other Related Parties

As at 31st December	Share Trust Companies and Post- Employment Benefit Plans *		State Institutions		Shareholders with Significant Influence		Common Directorship Entities	
	2022	2021	2022	2021	2022	2021	2022	2021
Investment in Bank Shares -Voting (No. of Shares)	18,930,419	17,695,830	92,187,037	86,174,841	66,370,566	61,908,605	-	-
Investment in Bank Shares -Non Voting (No.of Shares)	-	-	31,227,893	28,566,427	154,839,289	141,761,375	59,401	54,339
Dividend Paid (LKR Mn.)	53.09	26.29	344.22	163.78	610.65	283.79	0.16	0.08

* Includes Seylan Bank Employees' Provident Fund and Gratuity Trust Fund.

51.2.2 Transactions with the Government of Sri Lanka/ Entities Controlled, Jointly Controlled, Significantly Influenced by the Government of Sri Lanka

Bank has considered the Government of Sri Lanka and other entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka (Government Related Entities) as Related Parties according to LKAS 24 'Related Party Disclosures'.

However, limited disclosures have been made in accordance with LKAS 24 'Related Party Disclosures' for transactions that are individually significant because of their size although these transactions were undertaken on normal terms in the ordinary course of business.

51.2.2.1 Voting Share Holding by State Institutions in Seylan Bank PLC.

	No of Shares-Voting
Sri Lanka Insurance Corporation Limited [Includes General Fund and Life Fund]	42,405,704
Employees' Provident Fund	27,867,655
Bank of Ceylon	15,902,140
Employees' Trust Fund Board	6,011,538

51.2.2.2 Non-Voting Share Holding by State Institutions in Seylan Bank PLC.

	No Of Shares-Non Voting
Employees' Provident Fund	15,738,986
Sri Lanka Insurance Corporation Limited [Includes General Fund and Life Fund]	11,966,656
Employees' Trust Fund Board	3,522,251

51.2.2.3 Central Bank of Sri Lanka

Relationship with the Bank	Nature of the Transactions	LKR '000
Government Related Entity	Treasury Bills	34,873,763
	Treasury Bonds including Sri Lanka Development Bonds and Sri Lanka International Sovereign Bonds	100,184,101
	Securities Purchased Under Resale Agreement	3,628,549
	Securities Sold under Repurchase Agreements - Repo (Note 38)	11,944,370
	Interest Income (Note 8.3)	14,836,040
	Interest Expenses (Note 8.3)	2,427,924
	Annual License Fees	29,656
	Sri Lanka Deposit Insurance Fund Contribution (Note 14)	509,672
	Balance with Central Bank of Sri Lanka (Note 21)	16,784,172

Notes to the Financial Statements

Other than above, the Bank has carried out transactions in the ordinary cause of business with the Government of Sri Lanka and other government related entities in the form of accommodation (funded/ non-funded), deposits, utility bills, telephone charges, crib charges and statutory payments, etc. There are no other transactions that are collectively significant with government related entities.

52 Maturity Analysis

52.1 Assets - Bank

An analysis of the total assets employed as at 31st December 2022 based on the remaining period at the reporting date to the respective contractual Cash Flows/Maturity dates is given below.

	Up to 3 Months LKR '000	3 to 12 Months LKR '000	1 to 3 Years LKR '000	3 to 5 Years LKR '000	More Than 5 Years LKR '000	Total as at 31.12.2022 LKR '000
Interest Earning Assets						
Loans and Advances	218,647,950	90,536,981	80,761,241	33,857,925	20,415,411	444,219,508
Placements with Banks and Finance Companies	1,819,036	-	-	-	-	1,819,036
Government of Sri Lanka Treasury Bills/Bonds, Development and Sovereign Bonds	37,396,742	40,224,230	34,145,842	10,703,369	12,587,681	135,057,864
Investments in Debentures	49,863	108,241	66,500	266,472	398,921	889,997
Securities Purchased under Resale Agreements	3,628,549	-	-	-	-	3,628,549
Balances with Banks	16,000	586,617	-	-	-	602,617
Group Balances Receivable	24,235	-	-	-	-	24,235
Total Interest Earning Assets	261,582,375	131,456,069	114,973,583	44,827,766	33,402,013	586,241,806
Non Interest Earning Assets						
Cash in Hand	10,872,247	-	-	-	-	10,872,247
Balances with Central Bank of Sri Lanka	16,784,172	-	-	-	-	16,784,172
Balances with Banks	28,779,650	-	-	-	-	28,779,650
Investments in Equities	-	1,500,621	-	-	1,153,602	2,654,223
Group Balances Receivable	200	-	-	-	40,000	40,200
Property, Plant and Equipment / Intangible Assets/ Right-of-use Assets	-	-	-	-	9,163,005	9,163,005
Deferred Tax Assets	3,242,641	-	-	-	-	3,242,641
Derivative Financial Instruments	41,565	477,624	-	-	-	519,189
Other Assets	14,506,869	30	2	234	1,376	14,508,511
Total Non Interest Earning Assets	74,227,344	1,978,275	2	234	10,357,983	86,563,838
Total Assets	335,809,719	133,434,344	114,973,585	44,828,000	43,759,996	672,805,644

52.2 Liabilities and Equity - Bank

An analysis of the total Liabilities and Equity as at 31st December 2022 based on the remaining period at the reporting date to the respective contractual Cash Flows/Maturity dates is given below.

	Up to 3 Months LKR '000	3 to 12 Months LKR '000	1 to 3 Years LKR '000	3 to 5 Years LKR '000	More Than 5 Years LKR '000	Total as at 31.12.2022 LKR '000
Interest Bearing Liabilities						
Financial Liabilities at Amortised Cost due to Depositors	175,218,138	293,767,153	14,445,966	18,238,185	9,950,305	511,619,747
Financial Liabilities at Amortised Cost due to Debt Securities Holders	11,919,051	25,319	-	-	-	11,944,370
Due to Banks and Other Borrowings	559,281	-	11,606,232	-	-	12,165,513
Debt Securities Issued	4,516,350	3,909,355	4,896,750	6,686,000	1,609,000	21,617,455
Group Balances Payable	70,132	3,075	129,000	-	-	202,207
Lease Liabilities	95,303	255,609	657,751	658,401	3,434,183	5,101,247
Total Interest Bearing Liabilities	192,378,255	297,960,511	31,735,699	25,582,586	14,993,488	562,650,539
Non Interest Bearing Liabilities						
Demand Deposits	35,696,008	-	-	-	-	35,696,008
Other Liabilities	13,954,569	-	-	-	-	13,954,569
Derivative Financial Instruments	5,815	493,213	407,785	-	-	906,813
Current Tax Liabilities	5,128,484	-	-	-	-	5,128,484
Dividend Payable	18,758	-	-	-	-	18,758
Group Balances Payable	175	-	-	-	-	175
Equity	-	-	-	-	54,450,298	54,450,298
Total Non Interest Bearing Liabilities	54,803,809	493,213	407,785	-	54,450,298	110,155,105
Total Liabilities and Equity	247,182,064	298,453,724	32,143,484	25,582,586	69,443,786	672,805,644

52.3 Assets - Group

An analysis of the total assets employed as at 31st December 2022 based on the remaining period at the reporting date to the respective contractual Cash Flows / Maturity dates is given below.

	Up to 3 Months LKR '000	3 to 12 Months LKR '000	1 to 3 Years LKR '000	3 to 5 Years LKR '000	More Than 5 Years LKR '000	Total as at 31.12.2022 LKR '000
Interest Earning Assets						
Loans and Advances	218,647,950	90,536,981	80,761,241	33,857,925	20,415,411	444,219,508
Placements with Banks and Finance Companies	1,819,036	-	-	-	-	1,819,036
Government of Sri Lanka Treasury Bills / Bonds, Development and Sovereign Bonds	37,589,689	40,302,157	34,145,842	10,703,369	12,587,681	135,328,738
Investments in Debentures	49,863	158,138	66,500	266,472	398,921	939,894
Securities Purchased under Resale Agreements	3,628,549	-	-	-	-	3,628,549
Balances with Banks	16,000	586,617	-	-	-	602,617
Total Interest Earning Assets	261,751,087	131,583,893	114,973,583	44,827,766	33,402,013	586,538,342

Notes to the Financial Statements

	Up to 3 Months LKR '000	3 to 12 Months LKR '000	1 to 3 Years LKR '000	3 to 5 Years LKR '000	More Than 5 Years LKR '000	Total as at 31.12.2022 LKR '000
Non Interest Earning Assets						
Cash in Hand	10,872,287	-	-	-	-	10,872,287
Balances with Central Bank of Sri Lanka	16,784,172	-	-	-	-	16,784,172
Balances with Banks	28,779,650	-	-	-	-	28,779,650
Investments in Equities	-	1,500,621	-	-	-	1,500,621
Investment Properties	-	-	-	-	886,680	886,680
Property, Plant and Equipment/ Intangible Assets/ Right-of-use Assets	-	-	-	-	9,695,624	9,695,624
Deferred Tax Assets	2,684,538	-	-	-	-	2,684,538
Derivative Financial Instruments	41,565	477,624	-	-	-	519,189
Other Assets	14,572,431	30	2	234	1,376	14,574,073
Total Non Interest Earning Assets	73,734,643	1,978,275	2	234	10,583,680	86,296,834
Total Assets	335,485,730	133,562,168	114,973,585	44,828,000	43,985,693	672,835,176

52.4 Liabilities and Equity - Group

An analysis of the total Liabilities and Equity as at 31st December 2022 based on the remaining period at the reporting date to the respective contractual Cash Flows/Maturity dates is given below.

	Up to 3 Months LKR '000	3 to 12 Months LKR '000	1 to 3 Years LKR '000	3 to 5 Years LKR '000	More Than 5 Years LKR '000	Total as at 31.12.2022 LKR '000
Interest Bearing Liabilities						
Financial Liabilities at Amortised Cost due to Depositors	175,218,138	293,767,153	14,445,966	18,238,185	9,950,305	511,619,747
Financial Liabilities at Amortised Cost due to Debt Securities Holders	11,919,051	25,319	-	-	-	11,944,370
Due to Banks and Other Borrowings	559,281	-	11,606,232	-	-	12,165,513
Debt Securities Issued	4,516,350	3,909,355	4,896,750	6,686,000	1,609,000	21,617,455
Lease Liabilities	95,190	255,253	656,028	656,931	591,156	2,254,558
Total Interest Bearing Liabilities	192,308,010	297,957,080	31,604,976	25,581,116	12,150,461	559,601,643
Non Interest Bearing Liabilities						
Demand Deposits	35,696,008	-	-	-	-	35,696,008
Other Liabilities	13,937,102	-	-	-	-	13,937,102
Derivative Financial Instruments	5,815	493,213	407,785	-	-	906,813
Current Tax Liabilities	5,179,000	-	-	-	-	5,179,000
Dividend Payable	48,141	-	-	-	-	48,141
Equity	-	-	-	-	56,202,061	56,202,061
Non - controlling Interest	-	-	-	-	1,264,408	1,264,408
Total Non Interest Bearing Liabilities	54,866,066	493,213	407,785	-	57,466,469	113,233,533
Total Liabilities and Equity	247,174,076	298,450,293	32,012,761	25,581,116	69,616,930	672,835,176

53 Segment Reporting

Segment information is presented in respect of the Group's Operating Segments. Operating Segments are based on the Group's management and internal reporting structure.

The Group comprises the following main Operating Segments:

Banking : Loans and Advances (including Leases and Bills), Margin Trading, Insurance ,Deposits and other transactions and balances with corporate and retail customers.

Treasury : The Treasury Department is responsible for managing Bank's assets and liabilities, statutory reserve requirement, liquidity, foreign exchange position and investment portfolios.

Property/ Investment : The property investment income, expenses, assets and liabilities.

	Banking		Treasury		Property/ Investments		Unallocated/ Eliminations		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Interest Income	71,373,020	37,407,111	15,223,257	9,821,266	61,784	30,731	(551,724)	(477,904)	86,106,337	46,781,204
Less : Interest Expenses	39,495,176	21,876,505	5,886,291	1,168,223	959	299	(163,206)	(167,732)	45,219,220	22,877,295
Net Interest Income	31,877,844	15,530,606	9,336,966	8,653,043	60,825	30,432	(388,518)	(310,172)	40,887,117	23,903,909
Fee and Commission Income	6,663,001	4,752,178	8,259	4,864	-	-	25,799	27,384	6,697,059	4,784,426
Less : Fee and Commission Expenses	206,316	119,468	28,802	24,030	734	452	-	-	235,852	143,950
Net Fee and Commission Income	6,456,685	4,632,710	(20,543)	(19,166)	(734)	(452)	25,799	27,384	6,461,207	4,640,476
Net Gains/(Losses) from Trading	-	-	(446,958)	(219,044)	-	1,200	-	-	(446,958)	(217,844)
Net Gains from Derecognition of Financial Assets	-	-	34,149	553,425	-	-	-	-	34,149	553,425
Net Other Operating Income	800,448	649,914	3,660,582	2,222,453	568,251	376,249	(583,454)	(399,136)	4,445,827	2,849,480
Inter Segment Revenue	(70,989)	(73,648)	-	-	-	-	70,989	73,648	-	-
Total Operating Income	39,063,988	20,739,582	12,564,196	11,190,711	628,342	407,429	(875,184)	(608,276)	51,381,342	31,729,446
Less : Depreciation and Amortisation Expenses	761,440	707,307	14,167	6,320	1,185	1,085	639,587	764,754	1,416,379	1,479,466
Less : Impairment Charges	21,424,165	10,008,626	5,008,911	413,287	-	-	-	-	26,433,076	10,421,913
Less : Operating Expenses, VAT and SSCL on Financial Services	13,070,977	9,903,963	1,304,526	1,845,267	99,585	80,579	2,260,141	1,813,578	16,735,229	13,643,387
Reportable Segment Profit Before Income Tax	3,807,406	119,686	6,236,592	8,925,837	527,572	325,765	(3,774,912)	(3,186,608)	6,796,658	6,184,680
Less : Income Tax Expense									2,218,888	1,449,010
Profit for the Year									4,577,770	4,735,670
Profit Attributable to:										
Equity Holders of the Bank									4,574,359	4,653,003
Non-controlling Interest									3,411	82,667
Profit for the Year									4,577,770	4,735,670
Other Comprehensive Income for the Year, net of Tax									(2,746,463)	(1,479,099)
Other Information										
Reportable Segment Assets	468,181,492	433,132,342	186,376,930	156,115,813	6,357,894	6,063,200	21,888,352	21,815,227	682,804,668	617,126,582
Segment Accumulated Amortisation	(2,555,766)	(2,347,782)	(68,268)	(55,774)	(3,025)	(1,840)	(7,342,433)	(6,631,053)	(9,969,492)	(9,036,449)
Total Assets	465,625,726	430,784,560	186,308,662	156,060,039	6,354,869	6,061,360	14,545,919	15,184,174	672,835,176	608,090,133
Reportable Segment Liabilities and Equity	563,425,953	487,573,516	85,595,633	81,060,891	6,354,869	6,061,360	17,458,721	33,394,366	672,835,176	608,090,133
Total Liabilities and Equity	563,425,953	487,573,516	85,595,633	81,060,891	6,354,869	6,061,360	17,458,721	33,394,366	672,835,176	608,090,133
Cash Flows From Operating Activities	45,626,773	(7,149,239)	11,259,670	9,345,444	288,432	277,845	(3,063,823)	(2,469,445)	54,111,052	4,605
Cash Flows From Investing Activities	(270,149)	(147,291)	(11,223,517)	5,842,438	(59,765)	36,830	(201,717)	(489,077)	(11,755,147)	5,242,900
Cash Flows From Financing Activities	(753,451)	(822,434)	(2,589,596)	2,010,276	(207,151)	(177,558)	438,987	430,230	(3,111,211)	1,440,514
Capital Expenditure	(285,214)	(153,031)	(7,799)	(51,462)	(47,275)	(78,147)	(2,562)	(257,821)	(342,849)	(540,461)

SLFRS 8 requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters (the "management approach").

Such operating segments are identified on the basis of internal reports that the entity's Board of Directors reviews regularly in allocating resources and in assessing their performance.

Bank reviewed the existing reporting segments and concluded that no material change is required.

Notes to the Financial Statements

54 Non - Uniform Accounting Policies

The impact of non- uniform accounting policies adopted by subsidiary company has been adjusted in the Consolidated Financial Statements as set out below .

Adjustment Due to Different Accounting Policies of the Parent and the Group Entity, Seylan Developments PLC (SD)

Seylan Bank PLC accounts for investment properties at cost, whereas Seylan Developments PLC accounts for investment properties at fair value.

Seylan Towers (East Towers) owned by Seylan Developments PLC is rented out to Seylan Bank PLC and is occupied by the Bank.

Therefore the land and buildings do not qualify as investment property in the Consolidated Financial Statements.

The building is treated as a Property in the Consolidated Financial Statements and has been depreciated accordingly (LKAS 40).

The leased land has also been depreciated accordingly in the Consolidated Financial Statements and categorised under Right-of-use Assets.

	Adjustments	Group Impact	Non Controlling Interest Impact
	LKR '000	LKR '000	LKR '000
Adjustments to Revaluation Gains / (Losses) on Investment Properties, Deferred Tax and on SLFRS 16			
Reversal of Revaluation Gain recognised in the Statement of Comprehensive Income by SD in 2022	(162,397)	(114,506)	(47,891)
Reversal of Deferred Tax recognised in the Statement of Comprehensive Income by SD in 2022	22,727	16,025	6,702
Loss on Revaluation of East Tower in 2022 adjusted to Revaluation Reserves in Consolidated Financial Statements.	(20,148)	(14,206)	(5,942)
Deferred Tax on Revaluation Gain of East Tower in 2022 recognised in Consolidated Financial Statements.	6,044	4,262	1,782
Adjustment on SLFRS 16 in the Consolidated Financial Statements	47,080	33,196	13,884
Tax adjustment on SLFRS 16 in the Consolidated Financial Statements	(36,401)	(25,666)	(10,735)
	(143,095)	(100,895)	(42,200)
Charging of Depreciation			
Depreciation Charges Adjusted in Consolidated Financial Statements for 2022	(98,392)	(69,376)	(29,016)
	(98,392)	(69,376)	(29,016)

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Statement of Comprehensive Income in US Dollars

For the Year ended 31st December	Bank			Group		
	2022	2021	Change	2022	2021	Change
	US\$ '000	US\$ '000	%	US\$ '000	US\$ '000	%
Gross Income	266,636	272,472	(2.14)	266,687	272,391	(2.09)
Interest Income	237,032	232,689	1.87	237,136	232,742	1.89
Less: Interest Expenses	125,380	115,330	8.71	124,533	113,817	9.42
Net Interest Income	111,652	117,359	(4.86)	112,603	118,925	(5.32)
Fee and Commission Income	18,444	23,804	(22.52)	18,444	23,803	(22.51)
Less: Fee and Commission Expenses	648	714	(9.24)	650	716	(9.22)
Net Fee and Commission Income	17,796	23,090	(22.93)	17,794	23,087	(22.93)
Net Gains/(Losses) from Trading	(1,231)	(1,090)	(12.94)	(1,231)	(1,084)	(13.56)
Net Gains from Derecognition of Financial Assets	94	2,753	(96.59)	94	2,753	(96.59)
Net Other Operating Income	12,297	14,316	(14.10)	12,244	14,177	(13.63)
Total Operating Income	140,608	156,428	(10.11)	141,504	157,858	(10.36)
Less: Impairment Charges	72,796	51,850	40.40	72,796	51,850	40.40
Net Operating Income	67,812	104,578	(35.16)	68,708	106,008	(35.19)
Less: Operating Expenses						
Personnel Expenses	21,933	34,376	(36.20)	22,052	34,557	(36.19)
Depreciation and Amortisation Expenses	3,740	7,112	(47.41)	3,901	7,361	(47.00)
Other Expenses	16,243	23,475	(30.81)	16,397	23,695	(30.80)
Total Operating Expenses	41,916	64,963	(35.48)	42,350	65,613	(35.45)
Operating Profit before Taxes	25,896	39,615	(34.63)	26,358	40,395	(34.75)
Less: Value Added Tax on Financial Services	7,289	9,626	(24.28)	7,289	9,626	(24.28)
Less: Social Security Contribution Levy	350	-	100.00	350	-	100.00
Profit before Income Tax	18,257	29,989	(39.12)	18,719	30,769	(39.16)
Less: Income Tax Expense	5,279	7,200	(26.68)	6,112	7,209	(15.22)
Profit for the Year	12,978	22,789	(43.05)	12,607	23,560	(46.49)
Profit Attributable to:						
- Equity Holders of the Bank	12,978	22,789	(43.05)	12,598	23,149	(45.58)
- Non-controlling Interest	-	-	-	9	411	(97.81)
Profit for the Year	12,978	22,789	(43.05)	12,607	23,560	(46.49)
Basic/Diluted Earnings per Share (US\$)	0.02	0.04	(45.65)	0.02	0.04	(48.06)
Other Comprehensive Income, net of Tax						
Items that are or may be reclassified to Income Statement in Subsequent Periods						
Net Movement of Cash Flow Hedge Reserve	232	(385)	160.26	232	(385)	160.26
Net Gains/(Losses) on Investments in Debt Instruments measured at Fair Value through Other Comprehensive Income	(4,501)	(14,349)	68.63	(4,529)	(14,331)	68.40
Deferred Tax effect relating to Items that are or may be reclassified to Income Statement	1,082	3,931	(72.48)	1,087	3,929	(72.33)
Items that will never be reclassified to Income Statement in Subsequent Periods						
Net Change in Fair Value on investments in Equity Instruments measured at Fair Value through Other Comprehensive Income	(3,360)	2,173	(254.62)	(3,363)	2,174	(254.69)
Revaluation of Property, Plant and Equipment	-	3,722	(100.00)	(55)	3,980	(101.38)
Actuarial Gains/(Losses) on Defined Benefit Obligations	(612)	(1,941)	68.47	(607)	(1,944)	68.78
Deferred Tax effect relating to Items that will never be reclassified to Income Statement	(345)	(719)	52.02	(330)	(781)	57.75
Other Comprehensive Income for the Year, net of Tax	(7,504)	(7,568)	0.85	(7,565)	(7,358)	(2.81)
Total Comprehensive Income for the Year	5,474	15,221	(64.04)	5,042	16,202	(68.88)
Total Comprehensive Income Attributable to:						
- Equity Holders of the Bank	5,474	15,221	(64.04)	5,051	15,729	(67.88)
- Non-controlling Interest	-	-	-	(9)	473	(101.90)
Total Comprehensive Income for the Year	5,474	15,221	(64.04)	5,042	16,202	(68.88)

Exchange rate of US\$ 1 was LKR 363.11 as at 31st December 2022 (LKR 201.00 as at 31st December 2021).

The Statement of Comprehensive Income given on this page is solely for the convenience of the Shareholders, Bankers, Investors, Customers and Other Users of Financial Statements and does not form a part of the Audited Financial Statements.

Statement of Financial Position in US Dollars

As at 31st December

	Bank			Group		
	2022 US\$ '000	2021 US\$ '000	Change %	2022 US\$ '000	2021 US\$ '000	Change %
Assets						
Cash and Cash Equivalents	110,860	79,995	38.58	110,860	79,995	38.58
Balances with Central Bank of Sri Lanka	46,223	43,412	6.48	46,223	43,412	6.48
Placements with Banks and Finance Companies	5,010	41,029	(87.79)	5,010	41,029	(87.79)
Derivative Financial Instruments	1,430	1,443	(0.90)	1,430	1,443	(0.90)
Financial Assets recognised through Profit or Loss						
- Measured at Fair Value	48,971	24,726	98.05	48,971	24,726	98.05
- Designated at Fair Value	-	-	-	-	-	-
Financial Assets at Amortised Cost						
- Loans and Advances	1,223,374	2,198,889	(44.36)	1,223,374	2,198,889	(44.36)
- Debt and Other Instruments	292,360	338,271	(13.57)	293,106	339,087	(13.56)
Financial Assets measured at Fair Value through Other Comprehensive Income	47,193	194,550	(75.74)	47,331	194,853	(75.71)
Investment in Subsidiary	3,177	5,739	(44.64)	-	-	-
Group Balances Receivable	177	199	(11.06)	-	-	-
Property, Plant and Equipment	10,384	21,343	(51.35)	17,799	35,143	(49.35)
Right-of-use Assets	13,446	23,837	(43.59)	7,498	12,909	(41.92)
Investment Properties	-	-	-	2,442	4,330	(43.60)
Intangible Assets	1,405	2,950	(52.37)	1,405	2,950	(52.37)
Deferred Tax Assets	8,930	-	100.00	7,393	-	100.00
Other Assets	39,957	46,387	(13.86)	40,137	46,558	(13.79)
Total Assets	1,852,897	3,022,770	(38.70)	1,852,979	3,025,324	(38.75)
Liabilities						
Due to Banks	33,483	121,912	(72.54)	33,483	121,912	(72.54)
Derivative Financial Instruments	2,497	1,080	131.20	2,497	1,080	131.20
Financial Liabilities at Amortised Cost						
- Due to Depositors	1,507,300	2,431,111	(38.00)	1,507,300	2,431,111	(38.00)
- Due to Debt Securities Holders	32,895	13,246	148.34	32,895	13,246	148.34
- Due to Other Borrowers	21	36	(41.67)	21	36	(41.67)
Group Balances Payable	557	954	(41.61)	-	-	-
Debt Securities Issued	59,534	107,550	(44.65)	59,534	107,550	(44.65)
Current Tax Liabilities	14,124	8,079	74.82	14,263	8,019	77.87
Deferred Tax Liabilities	-	1,281	(100.00)	-	2,897	(100.00)
Lease Liabilities	14,049	24,326	(42.25)	6,209	9,986	(37.82)
Other Liabilities	38,482	54,224	(29.03)	38,515	54,427	(29.24)
Total Liabilities	1,702,942	2,763,799	(38.38)	1,694,717	2,750,264	(38.38)
Equity						
Stated Capital	54,877	91,164	(39.80)	54,877	91,164	(39.80)
Statutory Reserve Fund	7,073	11,605	(39.05)	7,073	11,605	(39.05)
Retained Earnings	85,550	145,257	(41.10)	87,296	149,091	(41.45)
Other Reserves	2,455	10,945	(77.57)	5,534	16,590	(66.64)
Total Equity Attributable to Equity Holders of the Bank	149,955	258,971	(42.10)	154,780	268,450	(42.34)
Non-controlling Interest	-	-	-	3,482	6,610	(47.32)
Total Equity	149,955	258,971	(42.10)	158,262	275,060	(42.46)
Total Equity and Liabilities	1,852,897	3,022,770	(38.70)	1,852,979	3,025,324	(38.75)
Contingent Liabilities and Commitments	461,681	1,116,368	(58.64)	461,686	1,116,368	(58.64)
Net Assets Value per Share (US\$)	0.26	0.48	(45.83)	0.27	0.50	(46.00)

Exchange rate of US\$ 1 was LKR 363.11 as at 31st December 2022 (LKR 201.00 as at 31st December 2021).

The Statement of Financial Position given on this page is solely for the convenience of the Shareholders, Bankers, Investors, Customers and Other Users of Financial Statements and does not form a part of the Audited Financial Statements.

Investor Information

Twenty Largest Ordinary Voting Shareholders as at 31st December 2022

	2022		Comparative holdings of the top 20 holders in 2021	
	No of Shares	Percentage (%)	No of Shares	Percentage (%)
1 Brown & Company PLC A/C NO. 1	29,618,949	10.48	27,687,279	10.48
2 Sri Lanka Insurance Corporation Ltd -General Fund	28,270,471	10.00	26,426,745	10.00
3 Employees Provident Fund	27,867,655	9.86	26,050,200	9.86
4 Mr K D D Perera	26,836,320	9.49	25,086,126	9.49
5 Sampath Bank PLC/LOLC Investments Ltd	26,451,501	9.36	24,726,404	9.36
6 National Development Bank PLC	24,665,595	8.72	23,056,970	8.72
7 Seylan Bank PLC A/C No. 04 - Employees Gratuity Trust Fund	18,225,523	6.45	13,708,884	5.19
8 Bank of Ceylon No.1 Account	15,902,140	5.62	14,865,044	5.62
9 Sri Lanka Insurance Corporation Ltd -Life Fund	14,135,233	5.00	13,213,370	5.00
10 Peoples Leasing & Finance PLC/Don and Don Holdings (Pvt) Ltd	10,803,234	3.82	10,098,676	3.82
11 Sampath Bank PLC/Brown and Company PLC	9,606,146	3.40	8,979,659	3.40
12 Employees Trust Fund Board	6,011,538	2.13	5,619,482	2.13
13 Finco Holdings (Pvt) Ltd	3,129,581	1.11	-	-
14 NDB Capital Holdings Limited A/C No.02	2,863,435	1.01	2,676,690	1.01
15 Sisil Investment Holdings (Pvt) Ltd	2,673,563	0.95	2,499,201	0.95
16 Asiri Hospital Holdings PLC	2,139,534	0.76	2,000,000	0.76
17 Mr M J Fernando	1,427,558	0.50	1,334,457	0.50
18 Mr R R Leon	1,337,803	0.47	1,250,555	0.47
19 Mr K R B Fernando	1,223,238	0.43	1,143,462	0.43
20 J. B. Cocoshell (Pvt) Ltd	975,855	0.35	736,694	0.28
Total shares held by the top 20 holders	254,164,872	89.91		
Balance shares held by other 10,058 ordinary voting shareholders as at 31st December 2022	28,539,888	10.09		
Total ordinary voting shares issued by the bank	282,704,760	100.00	264,267,493	
Total ordinary voting shareholders	10,078		10,144	

Notes :

* Brown & Company PLC and LOLC Investments Ltd collectively hold 23.43% of the issued capital of the Bank. This joint shareholding limit has been approved by the Central Bank of Sri Lanka vide their letter dated 14 September 2011, subject to the joint holding of Brown & Company PLC A/C and LOLC Investments Ltd to be reduced from 23.43% to 15% level within a period of 15 years from 13 October 2009.

* The Board decided at its meeting held on 15 April 2020 to limit the voting rights of Brown & Company PLC's shareholding in Seylan Bank PLC to 9.55% with effect from 31 March 2020 in compliance with the direction issued by the Monetary Board vide Director – Bank Supervision's letter dated 6 April 2020.

* The 15% Ordinary Voting shareholding of Sri Lanka Insurance Corporation Ltd in the Bank which was disclosed in Bank's Annual Report 2021 as a consolidated sharerholding has been disclosed as follows in the above list. However, the Bank would consider Sri Lanka Insurance Corporation Ltd as a related party of the Bank.

- Sri Lanka Insurance Corporation Ltd - General Fund - 10%
- Sri Lanka Insurance Corporation Ltd - Life Fund - 5%

Twenty Largest Ordinary Non-Voting Shareholders as at 31st December 2022

	2022		Comparative holdings of the top 20 holders in 2021	
	No of Shares	Percentage (%)	No of Shares	Percentage (%)
1 LOLC Holdings PLC	152,262,646	51.60	139,285,716	51.60
2 Employees Provident Fund	15,738,986	5.33	14,397,596	5.33
3 Sri Lanka Insurance Corporation Ltd - Life Fund	9,882,823	3.35	9,040,537	3.35
4 Don and Don Holdings (Pvt) Ltd	9,874,165	3.35	2,111,411	0.78
5 Akbar Brothers Pvt Ltd A/C No. 1	6,337,096	2.15	5,797,003	2.15
6 Pershing LLC S/A Averbach Grauson & Co.	4,053,725	1.37	3,812,293	1.41
7 Peoples Leasing & Finance PLC/Don and Don Holdings (Pvt) Ltd	4,008,997	1.36	3,512,132	1.30
8 Employees Trust Fund Board	3,522,251	1.19	3,222,060	1.19
9 Merrill J Fernando & Sons (Pvt) Limited	3,277,637	1.11	2,998,293	1.11
10 Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	2,946,772	1.00	3,850,895	1.43
11 Mr R R Leon	2,706,900	0.92	2,476,199	0.92
12 LOLC Technology Services Limited	2,576,643	0.87	2,357,043	0.87
13 Mr. N. Balasingam	2,308,455	0.78	2,111,712	0.78
14 Sri Lanka Insurance Corporation Ltd - General Fund	2,083,833	0.71	1,906,234	0.71
15 Mr. R. Gautam	1,665,010	0.56	1,488,758	0.55
16 Mr M J Fernando	1,615,464	0.55	1,477,783	0.55
17 Dr S Yaddehige	1,387,883	0.47	1,269,598	0.47
18 Ms S Durga	1,371,362	0.46	1,254,485	0.46
19 Mr D N N Lokuge	1,361,938	0.46	1,245,864	0.46
20 Askold (Pvt) Ltd	1,202,899	0.41	1,100,380	0.41
Total shares held by the top 20 holders	230,185,485	78.00		
Balance shares held by other 7,289 ordinary non-voting shareholders as at 31st December 2022	64,885,828	22.00		
Total ordinary non-voting shares issued by the Bank	295,071,313	100.00	269,923,190	
Total ordinary non-voting shareholders	7,309		7,342	

Shareholdings of Directors as at 31st December 2022

Directors' shareholdings including the Director/Chief Executive Officer's holding as at 31st December 2022 are given on page 126 of the Report of the Board of Directors.

Information on Share Prices and Dividend per share

	Ordinary Shares (Quoted)			
	Voting (SEYB-N)		Non-Voting (SEYB-X)	
	2022	2021	2022	2021
No. of shares issued	282,704,760	264,267,493	295,071,313	269,923,190
Dividend (per share) Cash	LKR Proposed : -	LKR Paid : -	LKR Proposed : -	LKR Paid : -
Dividend (per share) Scrip	LKR Proposed : 2.00	LKR Paid : 3.00	LKR Proposed : 2.00	LKR Paid : 3.00
Share Prices				
Highest	LKR 47.00	68.00	37.00	60.00
Lowest	LKR 26.00	42.80	14.00	32.90
Last traded	LKR 31.60	44.00	16.20	33.30

Investor Information

Compliance with Minimum Public Holding Requirement

Period	Option under which the Bank is compliant	Float adjusted market capitalization	Public Holding Percentage (%)	No. of Public shareholders
As at 31/12/2021	Option 3	LKR 6,378 Mn	54.85	10,122
As at 31/12/2022	Option 4	LKR 4,900 Mn	54.85	10,056

Analysis of the Distribution of Shareholders as at 31st December 2022

Ordinary Voting Shares

Range of Shareholding	No. of Shareholders	No. of Shares	Percentage (%) of Shareholding
1 - 1,000	7,276	1,599,598	0.566
1,001 - 10,000	2,346	6,587,210	2.330
10,001 - 100,000	393	9,468,671	3.349
100,001 - 1,000,000	44	11,860,264	4.195
1,000,001 & Above	19	253,189,017	89.560
Total	10,078	282,704,760	100.000

Resident/Non Resident

Resident	9,943	279,449,900	98.85
Non-Resident	135	3,254,860	1.15

Individuals/Institutions

Individuals	9,750	52,060,289	18.42
Companies/Institutions	328	230,644,471	81.58

Ordinary Non-Voting Shares

Range of Shareholding	No. of Shareholders	No. of Shares	Percentage (%) of Shareholding
1 - 1,000	3,596	1,069,630	0.362
1,001 - 10,000	2,718	9,265,457	3.140
10,001 - 100,000	849	23,277,809	7.889
100,001 - 1,000,000	124	28,942,981	9.809
1,000,001 & Above	22	232,515,436	78.800
Total	7,309	295,071,313	100.000

Resident/Non Resident

Resident	7,241	280,180,929	94.95
Non-Resident	68	14,890,384	5.05

Individuals/Institutions

Individuals	6,989	60,077,501	20.36
Companies/ Institutions	320	234,993,812	79.64

Debentures 2016

	Type A 5 Year Debentures 13.0%p.a. Semi-annual (redeemed on 15.07.2021)		Type B 5 Year Debentures 6 MONTH T-Bill (gross)+1.5%p.a. Semi-annual (redeemed on 15.07.2021)		Type C 7 Year Debentures 13.75% Semi-annual		
	2022	2021	2022	2021	2022	2021	
	(Listed on CSE in July 2016) (SEYB D391, D392, D393)						
No of Debentures issued	17,103,200		174,000		32,722,800		
Debenture Prices							
Highest	LKR	Not	Not traded	Not	Not traded	67.26	102.98
Lowest	LKR	Applicable	in 2021	Applicable	in 2021	65.00	100.00
Last traded	LKR					67.26	100.00

Debentures 2018

	Type A 5 Year Debentures 12.85%p.a. Semi-annual		Type B 7 Year Debentures 13.20%p.a. Semi-annual		Type C 10 Year Debentures 13.50%p.a. Semi-annual		
	2022	2021	2022	2021	2022	2021	
	(Listed on CSE in April 2018) (SEYB D432, D433, D434)						
No. of Debenture issued	39,100,000		7,150,000		16,090,000		
Debenture Prices							
Highest	LKR	Not traded	Not traded	Not traded	Not traded	Not traded	Not traded
Lowest	LKR	in 2022	in 2021	in 2022	in 2021	in 2022	in 2021
Last traded	LKR						

Debentures 2019

	Type A 5 Year Debentures 15.00%p.a. Annual		Type B 5 Year Debentures 14.50%p.a. Semi-annual		
	2022	2021	2022	2021	
	(Listed on CSE in April 2019) (SEYB D458, D459)				
No. of Debentures issued	37,734,000		12,266,000		
Debenture Prices					
Highest	LKR	Not traded in	105.00	Not traded in	Not traded in
Lowest	LKR	2022	105.00	2022	2021
Last traded	LKR		105.00		

Debentures 2021

	Type A 5 Year Debentures 9.75% p.a. Annual		Type B 5 Year Debentures 9.25% p.a. Quarterly		
	2022	2021	2022	2021	
	(Listed on CSE in April 2021) (SEYB D508, D509)				
No. of Debentures issued	53,520,200		6,479,800		
Debenture Prices					
Highest	LKR	Not traded in	Not traded in	Not traded in	Not traded in
Lowest	LKR	2022	2021	2022	2021
Last traded	LKR				

Investor Information

	2022	2021
Debt (Debentures) / Equity Ratio (Times)	0.40	0.42
Debt (Debentures plus Long term Debt) / Equity Ratio (Times)	0.50	0.56
Interest Cover (Times)	3.56	3.37
Quick Asset Ratio (Times)	0.86	0.79
2016 Issue		
Interest Yield as at Date of Last Trade		
5 Year Fixed Semi Annual - 13.00% p.a (Debenture matured and redeemed on 15/07/2021)		*
5 Year Floating Semi Annual - six months treasury bill rate + 1.5% (Debenture matured and redeemed on 15/07/2021)		*
7 Year Fixed Semi Annual - 13.75% p.a. (13/12/2022)/(10/06/2021)	21.15%	14.22%
Yield to Maturity of Trade Done on		
5 Year Fixed Semi Annual - 13.00% p.a (Debenture matured and redeemed on 15/07/2021)		*
5 Year Floating Semi Annual - six months treasury bill rate + 1.5% (Debenture matured and redeemed on 15/07/2021)		*
7 Year Fixed Semi Annual - 13.75% p.a. (13/12/2022)/(10/06/2021)	100.08%	13.73%
Interest Rate of Comparable Government Security		
7 Years	25.88%	8.46%
2018 Issue		
Interest Yield as at Date of Last Trade		
5 Year Fixed Semi Annual - 12.85% p.a.	*	*
7 Year Fixed Semi Annual - 13.20% p.a.	*	*
10 Year Fixed Semi Annual - 13.50% p.a.	*	*
Yield to Maturity of Trade Done on		
5 Year Fixed Semi Annual - 12.85% p.a.	*	*
7 Year Fixed Semi Annual - 13.20% p.a.	*	*
10 Year Fixed Semi Annual - 13.50% p.a.	*	*
Interest Rate of Comparable Government Security		
- 5 Years	26.41%	8.57%
- 7 Years	28.50%	10.18%
- 10 Years	26.64%	11.42%
2019 Issue		
Interest Yield as at Date of Last Trade		
5 Year Fixed Annual - 15.00% p.a. *(23/04/2021)	*	14.29%
5 Year Fixed Semi Annual - 14.50% p.a.	*	*
Yield to Maturity of Trade Done on		
5 Year Fixed Annual - 15.00% p.a. *(23/04/2021)	*	12.87%
5 Year Fixed Semi Annual - 14.50% p.a.	*	*
Interest Rate of Comparable Government Security		
- 5 Years	27.58%	9.27%
2021 Issue (Debenture allotted on 12/04/2021)		
Interest Yield as at Date of Last Trade		
5 Year Fixed Annual - 9.75% p.a.	*	*
5 Year Fixed Quarterly - 9.25 % p.a.	*	*
Yield to Maturity of Trade Done on		
5 Year Fixed Annual - 9.75% p.a	*	*
5 Year Fixed Quarterly - 9.25 % p.a.	*	*
Interest Rate of Comparable Government Security		
- 5 Years	27.71%	10.69%

* No trading during the period.

Branch and ATM Network

Province-Wise Distribution

-  Banking Centres
-  ATMs
-  CDMs
-  CDKs


31

Off-Site ATMs

 18  19  5  6

North Western

- Bowatta
- Chilaw
- Dankotuwa
- Dummalasuriya
- Giriulla
- Hettipola
- Kalpitiya
- Katuneriya
- Kuliyaipitiya
- Kurunegala
- Mawathagama
- Narammala
- Pannala
- Puttalam
- Rideegama
- Udappu
- Wariyapola
- Wennappuwa

- Arugambay
- Batticaloa
- Bloomfield
- Borella (IBSL)
- Colombo 07 (General Hospital)
- Dehiwala (Saranankara Road)
- Ella
- Head Office (Mobile)
- Hikkaduwa
- Horana (MDK)
- Katunayake (Smart Shirt)
- Kegalle (ASR Rubber Co.)
- Kuruwita
- Mahiyanganaya (EAM Maliban Garment)
- Makola (Yoshida)
- Makumbura
- Malabe (Horizon Campus)
- Marina Casino
- Mirissa
- Mount Lavinia
- Negombo (Beach Side)
- Negombo (Pizza Hut)
- One Galle Face
- Padukka (SLTC)
- Pinnawala
- Ragama (National Hospital)
- Rajagiriya
- Ratnapura (Teaching Hospital)
- Sethsiripaya
- Trincomalee
- Unawatuna

 10  10  2  4

Northern

- Chankanai
- Chavakachcheri
- Chunnakam
- Jaffna
- Kilinochchi
- Manipay
- Mannar
- Mullativu
- Nelliady
- Vavuniya

 11  11  1  2

North Central

- Anuradhapura
- Aralaganwila
- Eppawala
- Galenbidunuwewa
- Hingurakgoda
- Kaduruwela
- Kekirawa
- Manampitiya
- Medawachchiya
- Nochchiyagama
- Padaviya

 12  12  5  4

Eastern

- Akkaraipattu
- Ampara
- Batticaloa
- Chenkalady
- Dehiattakandiya
- Kalawanchikudy
- Kalmunai
- Kantale
- Kattankudy
- Pothuvil
- Sammanthurai
- Trincomalee

 75  85  39  58

Western

- Aluthgama
- Athurugiriya
- Attidiya
- Awissawella
- Baduraliya
- Bambalapitiya
- Bandaragama
- Battaramulla
- Beruwala
- Boralesgamuwa
- Borella
- Cinnamon Gardens
- Colombo Fort
- Colombo Gold Centre
- Dam Street
- Dehiwala
- Gampaha
- Ganemulla
- Godagama
- Gothatuwa
- Grandpass
- Havelock Town
- Homagama
- Horana
- Ingiriya
- Ja-ela
- Kadawatha
- Kalubowila
- Kalutara
- Kandana
- Katunayaka
- Kelaniya
- Kiribathgoda
- Kirindiwela
- Kirulapone
- Kochchikade
- Kollupitiya
- Kotahena

- Kottawa
- Maharagama
- Malabe
- Maradana
- Marandagahamula
- Matugama
- Meegoda
- Millennium Branch
- Minuwangoda
- Mirigama
- Moratumulla
- Moratuwa
- Mount Lavinia
- Mutwal
- Nawala
- Negombo
- Nittambuwa
- Nugegoda
- Old Moor Street
- Padukka
- Panadura
- Pettah
- Piliyandala
- Pitakotte
- Raddolugama
- Ranpokunagama
- Sarikkamulla
- Soysapura
- Union Place
- Veyangoda
- Wadduwa
- Wattala
- Weliweriya
- Wellawatta
- Wijerama
- Yakkala
- Foreign Employment Bureau (ECG)

 11  11  5  5

Sabaragamuwa

- Balangoda
- Eheliyagoda
- Embilipitiya
- Godakawela
- Kegalle
- Mawanella
- Pelmadulla
- Ratnapura
- Ruwanwella
- Warakapola
- Yatiantota

 13  14  3  4

Southern

- Akuressa
- Ambalangoda
- Ambalantota
- Beliatte
- Galle
- Hambantota
- Hikkaduwa
- Kamburupitiya
- Karapitiya
- Koggala
- Matara
- Matara Bazaar
- Tissamaharama

 14  15  7  8

Central

- Bogawantalawa
- Dambulla
- Gampola
- Hatton
- Kandy
- Katugastota
- Matale
- Nawalapitiya
- Nuwara Eliya
- Pallekele
- Peradeniya
- Piliimathalawa
- Pussellawa
- Thalawakele

 7  7  3  3

Uva

- Badulla
- Bandarawela
- Katharagama
- Mahiyanganaya
- Monaragala
- Siyambalanduwa
- Welimada

Ten Years at a Glance

Year Ended 31st December	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Trading Results										
Gross Income	96,818	54,767	57,224	61,370	54,873	49,161	37,873	28,586	28,564	28,091
Profit before Income Tax	6,629	6,028	4,111	5,098	4,666	6,656	5,734	5,777	4,649	3,454
Income Tax	1,917	1,447	1,100	1,418	1,477	2,226	1,724	1,946	1,571	1,138
Profit after Taxation	4,712	4,581	3,011	3,680	3,189	4,430	4,010	3,831	3,078	2,316
Other Comprehensive Income, net of Tax	(2,724)	(1,521)	1,832	2,234	(617)	2,426	(345)	(1,054)	(55)	913
Total Comprehensive Income	1,988	3,060	4,843	5,914	2,572	6,856	3,665	2,777	3,023	3,229
Dividends Proposed (Ordinary) LKR per Share	2.00	3.00	1.50	2.00	2.50	3.50	3.25	2.75	2.50	2.25
As At 31st December										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Financial Position										
Assets										
Cash and Short Term Funds (Including Securities Purchased under Resale Agreements)	43,883	26,108	16,179	16,924	18,036	10,070	15,653	10,113	24,436	10,910
Balances with Central Bank of Sri Lanka	16,784	8,726	7,371	14,459	18,472	19,120	16,212	8,564	7,432	7,505
Investments (Including Investment Properties)	137,448	102,037	111,119	84,583	87,820	82,976	73,336	72,203	48,859	49,351
Loans and Advances, Placements with Banks and Finance Companies	446,039	450,224	404,496	380,432	326,883	282,317	236,355	193,862	157,297	137,523
Investment in Subsidiary	1,154	1,154	1,154	1,154	1,154	1,154	1,154	1,152	1,106	801
Other Assets (Including Taxation)	18,335	9,654	8,285	9,293	10,214	8,590	8,669	6,915	6,887	5,994
Property, Plant and Equipment, Right-of-use Assets and Intangible Assets	9,163	9,674	9,103	9,449	4,354	3,899	4,634	3,522	3,294	3,077
Total Assets	672,806	607,577	557,707	516,294	466,933	408,126	356,013	296,331	249,311	215,161
Liabilities										
Customer Deposits and Due to Banks	559,474	513,158	472,982	429,501	383,939	334,152	291,185	244,310	197,540	178,916
Borrowings and Debentures	33,569	24,287	19,648	28,320	37,456	29,148	28,491	18,605	20,090	7,830
Other Liabilities	20,166	16,163	13,726	12,552	9,674	8,197	7,756	7,486	6,327	5,546
Taxation (Including Deferred Tax)	5,128	1,882	2,340	1,251	1,209	2,381	762	843	1,324	1,091
Dividends Payable	19	34	44	43	45	42	46	31	21	16
Total Liabilities	618,356	555,524	508,740	471,667	432,323	373,920	328,240	271,275	225,302	193,399
Equity										
Stated Capital	19,926	18,324	17,548	17,045	12,026	11,228	10,530	10,530	10,530	10,530
Statutory Reserve Fund	2,568	2,333	2,104	1,953	1,769	1,609	1,388	1,187	996	842
Reserves	31,956	31,396	29,315	25,629	20,815	21,369	15,855	13,339	12,483	10,390
Total Equity	54,450	52,053	48,967	44,627	34,610	34,206	27,773	25,056	24,009	21,762
Total Equity and Liabilities	672,806	607,577	557,707	516,294	466,933	408,126	356,013	296,331	249,311	215,161
Contingent Liabilities and Commitments	167,641	224,390	195,154	150,147	129,693	99,501	64,111	57,222	45,098	35,473

Summary of Performance Indicators

	Measure	2022	2021	2020	2019	2018
SIZE						
Assets Growth	%	10.74	8.94	8.02	10.57	14.41
Contingencies and Commitments / (Total Assets + Contingencies and Commitments)	%	19.95	26.97	25.92	22.53	21.74
Interest Earning Assets / Total Assets	%	87.13	92.10	92.97	90.74	89.63
Cash and Balances with CBSL / Total Assets	%	8.48	4.08	3.12	5.08	6.65
Risk Weighted Assets Growth	%	2.11	14.49	4.58	16.37	19.36
PROFITABILITY						
Return on Average Assets	%	0.74	0.79	0.56	0.75	0.73
Return on Average Equity	%	8.85	9.07	6.43	9.29	9.27
Profit for the Year / (Average Total Assets + Contingencies and Commitments)	%	0.56	0.58	0.42	0.58	0.58
Net Interest Margin on Average Total Assets	%	6.33	4.05	3.63	3.79	4.06
Net Interest Margin on Average Interest Earning Assets	%	7.08	4.38	3.95	4.20	4.53
Net Interest Income / Gross Income	%	41.87	43.07	34.07	30.62	32.63
Cost to Income Ratio	%	35.24	47.68	56.31	63.12	64.90
Cost to Income Ratio (Excluding VAT, SSCL, NBT & DRL)	%	29.81	41.53	50.30	51.76	55.78
Average Interest Yield	%	15.02	8.68	10.36	12.10	12.20
Average Interest Cost	%	8.52	4.77	6.98	8.65	8.34
Interest Rate Spread	%	6.50	3.91	3.38	3.45	3.86
Interest Yield on Average Customer Advances	%	14.78	8.49	10.45	12.73	13.13
Interest Cost on Average Customer Deposits	%	7.62	4.19	6.34	7.98	7.78
Spread on Customer Deposits and Advances	%	7.16	4.30	4.11	4.75	5.35
Dividend Payout *	%	24.52	34.99	25.75	27.37	28.70
Growth Rate of Equity	%	4.61	6.30	9.72	28.94	1.18
Earnings per Share**	LKR	8.16	7.93	5.21	6.37	5.52
Ordinary Dividends per Share	LKR	2.00	3.00	1.50	2.00	2.50
Net Assets Value per Share	LKR	94.24	97.44	94.71	88.61	94.54
ASSET QUALITY						
Expected Credit Loss on Loans and Advances	LKR Mn.	46,212	23,929	15,535	10,732	9,893
Expected Credit Loss on Loans and Advances / Loans and Advances	%	9.42	5.14	3.80	2.75	2.94
Impaired Loans (Stage 3) Ratio (%)	%	4.98	3.64	4.38	3.42	3.41
Impairment (Stage 3) to Stage 3 Loans Ratio (%)	%	54.36	47.84	37.32	37.03	37.77
CAPITAL ADEQUACY						
Leverage on Share Holders Funds	Times	11.36	10.67	10.39	10.57	12.49
Leverage on Capital Funds (Including Debentures)	Times	7.84	7.25	7.45	7.00	8.17
Percentage Earnings Retained	%	75.48	65.01	74.25	72.63	71.30
Equity / Deposits, Borrowings and Securities Sold Under Re-Purchase Agreements	%	9.53	10.09	10.30	10.19	8.54
Equity / Total Assets	%	8.09	8.57	8.78	8.64	7.41
Equity / Loans and Advances	%	11.10	11.17	11.96	11.44	10.28
LIQUIDITY and FUNDING						
Loans and Advances / Deposits, Borrowings and Securities Sold Under Re-Purchase Agreements	%	85.83	90.32	86.06	89.05	83.14
Deposits / Deposits, Borrowings, Debentures and Securities Sold Under Re-Purchase Agreements	%	92.29	90.92	89.38	87.53	84.85
Liquid Assets / Total Assets	%	28.53	23.43	25.76	21.38	22.57
Liquid Assets / Deposits, Borrowings and Securities Sold Under Re-Purchase Agreements	%	33.60	27.60	30.21	25.20	26.02
Net Lending or (Borrowings) in Call Money Market	LKR Mn.	1,819	5,085	1,576	(14,596)	(10,796)
OTHER DATA						
Number of Banking Centres		171	171	172	173	170
Number of Staff Members		3,156	3,148	3,251	3,360	3,344
Profit per Staff Member	LKR '000	1,493	1,455	926	1,095	954
Number of Ordinary Shares - Voting	000	282,705	264,268	256,717	251,478	184,104
- Non Voting	000	295,071	269,923	260,306	252,146	181,995
Share Prices as at 31st December - Voting	LKR	31.60	44.00	46.00	52.50	78.00
- Non Voting	LKR	16.20	33.30	34.00	33.80	44.50

* Dividends for the year are accounted for as per Sri Lanka Accounting Standards - LKAS 10

** Earnings per Share has been restated as per Sri Lanka Accounting Standards - LKAS 33

Geographical Analysis

Deposits, Loans and Advances

As at 31st December 2022

Province	No. of Banking Centres	Deposits		Loans and Advances	
		LKR Mn.	%	LKR Mn.	%
Western	75	392,988	71.7	374,577	76.5
Southern	13	23,847	4.4	28,430	5.8
Uva	7	7,791	1.4	4,343	0.9
North-Central	11	9,619	1.8	9,547	1.9
North-Western	18	29,634	5.4	18,180	3.7
Eastern	12	15,695	2.9	14,406	2.9
Northern	10	17,428	3.2	8,768	1.8
Sabaragamuwa	11	20,590	3.8	15,271	3.1
Central	14	29,724	5.4	16,910	3.4
	171	547,316	100.0	490,432	100.0
Total Expected Credit Loss Allowance for Loans and Advances				(46,212)	
Total	171	547,316		444,220*	

* Loans and Advances net of Expected Credit Loss Allowance.

Contingent Liabilities and Commitments

As at 31st December 2022

Province	No. of Banking Centres	Acceptances LKR Mn.	Standby Letters of Credit LKR Mn.	Guarantees LKR Mn.	Documentary Credit LKR Mn.	Bills for Collection LKR Mn.	Forward Exchange Contracts (Net) LKR Mn.	Total
								LKR Mn.
Contingent Liabilities								
Western	75	11,078	378	60,002	4,058	4,038	(563)	78,991
Southern	13	18	-	2,306	19	823	-	3,166
Uva	7	-	-	416	-	-	-	416
North-Central	11	12	-	1,660	-	-	-	1,672
North-Western	18	519	-	1,724	16	328	-	2,587
Eastern	12	33	-	786	69	-	-	888
Northern	10	-	-	808	-	-	-	808
Sabaragamuwa	11	27	-	629	61	2	-	719
Central	14	215	-	1,313	132	811	-	2,471
	171	11,902	378	69,644	4,355	6,002	(563)	91,718
Commitments								
Undrawn Credit and Capital Commitments								75,923
Total	171	11,902	378	69,644	4,355	6,002	(563)	167,641

Global Reporting Initiative (GRI) Content Index

Statement of use	Seylan Bank PLC has reported in accordance with the GRI Standards for the period 01st January to 31st December 2022
GRI 1 used	GRI 1: Foundation 2021

GRI Standard/ Disclosure/ Other Source	Location		Omission
	Title	Page No.	Reason/ Explanation

GENERAL DISCLOSURES

GRI 2: General Disclosures 2021

2-1 Organizational details	Corporate Information	296	
2-2 Entities included in the organization's sustainability reporting	Subsidiary, Investment in Subsidiary	174, 234	
2-3 Reporting period, frequency and contact point	About this Report	1	
2-4 Restatements of information	Weighted Average Number of Ordinary Shares For Earnings per Share	216	
2-5 External assurance	Independent Assurance Report	73	
2-6 Activities, value chain and other business relationships	Value Creation Model	10	
2-7 Employees	Workforce by province, Workforce by grade, gender and age, Workforce by type of employment	42	
2-8 Workers who are not employees	Workforce by type of employment	42	
2-9 Governance structure and composition	The Board's Composition	93-95	
2-10 Nomination and selection of the highest governance body	Procedure for Appointment of Directors	95	
2-11 Chair of the highest governance body	Disclosure of the identity and relationship of the Chairman and the CEO and other Board Members	97	
2-12 Role of the highest governance body in overseeing the management of impacts	Chairman's Role, Role of the CEO	97	
2-13 Delegation of responsibility for managing impacts	Management Functions Delegated by the Board of Directors	96	
2-14 Role of the highest governance body in sustainability reporting	Materiality Driving Stakeholder Value Creation, Corporate Governance	14, 100	
2-15 Conflicts of interest	Avoidance of Conflicts of Interest	93	
2-16 Communication of critical concerns	Corporate Governance	86	
2-17 Collective knowledge of the highest governance body	Message from Director/ Chief Executive Officer	6-8	
2-18 Evaluation of the performance of the highest governance body	Remuneration Policy	113-114	
2-19 Remuneration policies	Board Human Resources and Remuneration Committee (BHRRC)	105	
2-20 Process to determine remuneration	Equal Opportunity Employer, Board Human Resources and Remuneration Committee (BHRRC)	46-47, 105	
2-21 Annual total compensation ratio	Employee remuneration by gender	47	
2-22 Statement on sustainable development strategy	Message from Director/ Chief Executive Officer	6-8	
2-23 Policy commitments	Due Diligence through Training and Capacity Building, Corporate Governance, Environmental and Social Risk	66, 86, 156	
2-24 Embedding policy commitments	Due Diligence through Training and Capacity Building, Corporate Governance, Environmental and Social Risk	66, 86, 156	
2-25 Processes to remediate negative impacts	Empowering, Engaging and Motivating Employees, Promoting Whistle-blowing, Sustainability Performance Indicators, Whistle Blowing Policy, Reputational Risk	40-41, 48, 71, 88, 156	
2-26 Mechanisms for seeking advice and raising concerns	Stakeholder Engagement for Long Lasting Relationships, Grievance Management, Grievances Handling Mechanism	12-13, 32, 48	
2-27 Compliance with laws and regulations	Bank's Governance Tied with Transparency and Compliance	66	
2-28 Membership associations	Partnerships with Associations and Professional Institutions	55	
2-29 Approach to stakeholder engagement	Stakeholder Engagement for Long Lasting Relationships	12-13	

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GRI Standard/ Disclosure/ Other Source	Location		Omission
	Title	Page No.	Reason/ Explanation
2-30 Collective bargaining agreements	Freedom of Association and Collective Bargaining	46	
MATERIAL TOPICS			
GRI 3: Material Topics 2021			
3-1 Process to determine material topics	Materiality Driving Stakeholder Value Creation	14	
3-2 List of material topics	Materiality Driving Stakeholder Value Creation	15	
Economic performance			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management approach	26, 34, 38, 50, 56, 62	
GRI 201: Economic Performance 2016			
201-1 Direct economic value generated and distributed	Value added statement	25	
201-2 Financial implications and other risks and opportunities due to climate change	Supporting Environmental Protection	56 -57	
201-3 Defined benefit plan obligations and other retirement plans	Measurement of Defined Benefit Obligations, Employee Retirement Benefits, Defined Benefit Obligations	176, 186, 250	
201-4 Financial assistance received from government	Our Engagements for Achieving Financial Inclusiveness	65	
Market presence			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management approach	26, 34, 38, 50, 56, 62	
GRI 202: Market Presence 2016			
202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Sustainability performance indicators	71	
202-2 Proportion of senior management hired from the local community	Sustainability performance indicators	71	
Indirect economic impacts			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management approach	26, 34, 38, 50, 56, 62	
GRI 203: Indirect Economic Impacts 2016			
203-1 Infrastructure investments and services supported	Harmonised with the Community	62-66	
203-2 Significant indirect economic impacts	Our Engagements for Achieving Financial Inclusiveness	65	
Procurement practices			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management approach	26, 34, 38, 50, 56, 62	
GRI 204: Procurement Practices 2016			
204-1 Proportion of spending on local suppliers	Supplier Engagement in Branch Vicinity	52	
Anti-corruption			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management approach	26, 34, 38, 50, 56, 62	
GRI 205: Anti-corruption 2016			
205-1 Operations assessed for risks related to corruption	Anti-Bribery and Corruption Policy	88	
205-2 Communication and training about anti-corruption policies and procedures	Anti-Bribery and Corruption Policy	88	
205-3 Confirmed incidents of corruption and actions taken	Bank's Governance Tied with Transparency and Compliance	66	
Anti-competitive behavior			
GRI 3: Material Topics 2021			

GRI Standard/ Disclosure/ Other Source	Location		Omission
	Title	Page No.	Reason/ Explanation
3-3 Management of material topics	Management approach	26, 34, 38, 50, 56, 62	
GRI 206: Anti-competitive Behavior 2016			
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Bank's Governance Tied with Transparency and Compliance	66	
Tax			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management approach	26, 34, 38, 50, 56, 62	
GRI 207: Tax 2019			
207-1 Approach to tax	Note Nos. 5.21, 5.26.5	188-190	
207-2 Tax governance, control, and risk management	Note Nos. 5.21, 5.26.5	188-190, 260	
207-3 Stakeholder engagement and management of concerns related to tax	Banks Governance Tied with Transparency and Compliance, Corporate Governance, Taxation, Statutory Payments, Income Tax Expense, Deferred Tax Liabilities/ Assets, Current Tax Liabilities, Movement in Investment Fund Reserve	66, 86, 123, 129, 213-215, 243 - 246, 249, 257	
207-4 Country-by-country reporting	Not Reported	-	*
Materials			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management Approach	26, 34, 38, 50, 56, 62	
GRI 301: Materials 2016			
301-1 Materials used by weight or volume	Sustainability Performance Indicators	72	
301-2 Recycled input materials used	Not Reported		*
301-3 Reclaimed products and their packaging materials	Not Reported		*
Energy			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management Approach	26, 34, 38, 50, 56, 62	
GRI 302: Energy 2016			
302-1 Energy consumption within the organization	Sustainability Performance Indicators	72	
302-2 Energy consumption outside of the organization	Not Reported		*
302-3 Energy intensity	Not Reported		*
302-4 Reduction of energy consumption	Not Reported		
302-5 Reductions in energy requirements of products and services	Not Reported		*
Water and effluents			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management Approach	26, 34, 38, 50, 56, 62	
GRI 303: Water and Effluents 2018			
303-1 Interactions with water as a shared resource	Water Footprint	60	
303-2 Management of water discharge-related impacts	Not Reported		
303-3 Water withdrawal	Not Reported		*
303-4 Water discharge	Not Reported		*
303-5 Water consumption	Not Reported		*

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GRI Standard/ Disclosure/ Other Source	Location		Omission
	Title	Page No.	Reason/ Explanation
Biodiversity			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management approach	26, 34, 38, 50, 56, 62	
GRI 304: Biodiversity 2016			
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Responsibility on Biodiversity	61	
304-2 Significant impacts of activities, products and services on biodiversity	Responsibility on Biodiversity	61	
304-3 Habitats protected or restored	Responsibility on Biodiversity	61	
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Responsibility on Biodiversity	61	
Emissions			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management approach	26, 34, 38, 50, 56, 62	
GRI 305: Emissions 2016			
305-1 Direct (Scope 1) GHG emissions	Not Reported		**
305-2 Energy indirect (Scope 2) GHG emissions	Not Reported		**
305-3 Other indirect (Scope 3) GHG emissions	Not Reported		**
305-4 GHG emissions intensity	Not Reported		**
305-5 Reduction of GHG emissions	Not Reported		**
305-6 Emissions of ozone-depleting substances (ODS)	Not Reported		**
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Not Reported		**
Waste			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management approach	26, 34, 38, 50, 56, 62	
GRI 306: Waste 2020			
306-1 Waste generation and significant waste-related impacts	Not Reported	-	*
306-2 Management of significant waste-related impacts	Waste Disposal and Management	61	
306-3 Waste generated	Waste Disposal and Management	61	
306-4 Waste diverted from disposal	Waste Disposal and Management	61	
306-5 Waste directed to disposal	Waste Disposal and Management	61	
Supplier environmental assessment			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management approach	26, 34, 38, 50, 56, 62	
GRI 308: Supplier Environmental Assessment 2016			
308-1 New suppliers that were screened using environmental criteria	Not Reported	-	*
308-2 Negative environmental impacts in the supply chain and actions taken	Not Reported	-	*
Employment			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management approach	26, 34, 38, 50, 56, 62	
GRI 401: Employment 2016			
401-1 New employee hires and employee turnover	New Recruitments by Gender and Age Group, New Recruitments by Gender and Province, Employee Turnover by Gender and Age	43, 44	

GRI Standard/ Disclosure/ Other Source	Location		Omission
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401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Training Opportunities for Non-Bank Contract Employees, Details on Employee Benefits	46, 47	
401-3 Parental leave	Employees who Obtained Parental Leave and Returned to Work	48	
Labor/management relations			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management approach	26, 34, 38, 50, 56, 62	
GRI 402: Labor/Management Relations 2016			
402-1 Minimum notice periods regarding operational changes	Minimum Notice Period	46	
Occupational health and safety			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management approach	26, 34, 38, 50, 56, 62	
GRI 403: Occupational Health and Safety 2018			
403-1 Occupational health and safety management system	Employee Well-Being, Health and Safety	40	
403-2 Hazard identification, risk assessment, and incident investigation	Employee Well-Being, Health and Safety	40	
403-3 Occupational health services	Employee Well-Being, Health and Safety	40	
403-4 Worker participation, consultation, and communication on occupational health and safety	Empowering, Engaging and Motivating Employees	40	
403-5 Worker training on occupational health and safety	Not Reported	-	*
403-6 Promotion of worker health	Safe and Secure Workplace, Sustainability Performance Indicators	39, 71	
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Not Reported	-	*
403-8 Workers covered by an occupational health and safety management system	Employee Well-Being, Health and Safety, Sustainability Performance Indicators	40, 71	
403-9 Work-related injuries	Employee Well-Being, Health and Safety	40	
403-10 Work-related ill health	Not Reported	-	
Training and education			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management approach	26, 34, 38, 50, 56, 62	
GRI 404: Training and Education 2016			
404-1 Average hours of training per year per employee	Training Opportunities for the Bank Employees	45	
404-2 Programs for upgrading employee skills and transition assistance programs	Details of Training Conducted in 2022	45	
404-3 Percentage of employees receiving regular performance and career development reviews	Annual Appraisals and Recognition	43	
Diversity and equal opportunity			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management approach	26, 34, 38, 50, 56, 62	
GRI 405: Diversity and Equal Opportunity 2016			
405-1 Diversity of governance bodies and employees	Diversity and Inclusion, SUSTAINABILITY PERFORMANCE INDICATORS	41, 71	
405-2 Ratio of basic salary and remuneration of women to men	Employee Remuneration by Gender	47	

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Non-discrimination			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management approach	26, 34, 38, 50, 56, 62	
GRI 406: Non-discrimination 2016			
406-1 Incidents of discrimination and corrective actions taken	Stakeholder Engagement for Long Lasting Relationship, Human Rights	13, 46	
Freedom of association and collective bargaining			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management approach	26, 34, 38, 50, 56, 62	
GRI 407: Freedom of Association and Collective Bargaining 2016			
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Not Reported	-	*
Child labor			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management Approach	26, 34, 38, 50, 56, 62	
GRI 408: Child Labor 2016			
408-1 Operations and suppliers at significant risk for incidents of child labor	Not Reported	-	*
Forced or compulsory labor			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management approach	26, 34, 38, 50, 56, 62	
GRI 409: Forced or Compulsory Labor 2016			
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Not Reported	-	*
Security practices			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management Approach	26, 34, 38, 50, 56, 62	
GRI 410: Security Practices 2016			
410-1 Security personnel trained in human rights policies or procedures	Training Opportunities for Non-Bank Contract Employees	46	
Rights of indigenous peoples			
3-3 Management of material topics	Management Approach	26, 34, 38, 50, 56, 62	
GRI 411: Rights of Indigenous Peoples 2016			
411-1 Incidents of violations involving rights of indigenous peoples	Not Reported	-	*
Local communities			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management Approach	26, 34, 38, 50, 56, 62	
GRI 413: Local Communities 2016			
413-1 Operations with local community engagement, impact assessments, and development programs	Harmonised with the Community	62 to 66	
413-2 Operations with significant actual and potential negative impacts on local communities	Harmonised with the Community	63 to 66	

GRI Standard/ Disclosure/ Other Source	Location		Omission
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Supplier social assessment			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management Approach	26, 34, 38, 50, 56, 62	
GRI 414: Supplier Social Assessment 2016			
414-1 New suppliers that were screened using social criteria	Enhancement of Sustainable Procurement Practices	51	
414-2 Negative social impacts in the supply chain and actions taken	Enhancement of Sustainable Procurement Practices	51	
Public policy			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management approach	26, 34, 38, 50, 56, 62	
GRI 415: Public Policy 2016			
415-1 Political contributions	Bank's Governance Tied with Transparency and Compliance	66	
Customer health and safety			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management Approach	26, 34, 38, 50, 56, 62	
GRI 416: Customer Health and Safety 2016			
416-1 Assessment of the health and safety impacts of product and service categories	Compliance	33	
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Compliance	33	
Marketing and labeling			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management Approach	26, 34, 38, 50, 56, 62	
GRI 417: Marketing and Labeling 2016			
417-1 Requirements for product and service information and labeling	Product Labelling and Marketing Communications	32	
417-2 Incidents of non-compliance concerning product and service information and labeling	Compliance	33	
417-3 Incidents of non-compliance concerning marketing communications	Compliance	33	
Customer privacy			
GRI 3: Material Topics 2021			
3-3 Management of material topics	Management Approach	26, 34, 38, 50, 56, 62	
GRI 418: Customer Privacy 2016			
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy, Compliance	32-33	

* Not Applicable

** Information Unavailable / Incomplete

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Glossary

A

Acceptances

Promise to pay 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

Recognition of the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalents.

Actuarial Gain / Loss

Gain or loss arising from the difference between estimates and actual experience in an entity's pension plan.

Amortised Cost of a Financial Asset or Financial Liability

The amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

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.

Bills Sent for Collection

A Bill of Exchange drawn by an exporter usually at a term, on an importer overseas and brought by the exporter to his bank with a request to collect the proceeds.

Basis Point (BP)

One hundredth of a percentage point (0.01 per cent); 100 basis points is 1 percentage point. Used in quoting movements in interest rates or yields on securities.

Business Model Assessment

Business model assessment is carried out as the first step of the financial assets classification process. Business model refers to how an entity manages its financial assets in order to generate cash flows.

C

Capital Adequacy Ratio

The percentage of risk-adjusted assets supported by capital as defined under the framework of risk-based capital standards developed by the Bank for International Settlement (BIS) and as modified to suit local requirements by the Central Bank of Sri Lanka.

Cash Equivalents

Short-term highly liquid investments those are readily convertible to known amounts of cash and which subject to an insignificant risk of changes in value.

Cash Flows

Cash flows are inflows and outflows of cash and cash equivalents.

Collectively Assessed Loan Impairment Provisions

Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses that have been incurred but have not yet been identified at the reporting date.

Contingencies

A condition or situation, the ultimate outcome of which, gain or loss, will be confirmed only on the occurrence or nonoccurrence of one or more uncertain future events.

Consolidated Financial Statements

Consolidated financial statements are the financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

Correspondent Bank

A bank in a foreign country that offers banking facilities to the customers of a bank in another country.

Cost to Income Ratio

Operating expenses as a percentage of total operating income.

Credit Ratings

An evaluation of a corporate ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk

Risk of financial loss to the Bank, if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the loans and advances to customers and other banks and investment in debt securities.

Currency Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

D

Deferred Tax

Sum set aside in the Financial Statements that may 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.

Delinquency

A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as "Arrears".

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition

Removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Derivatives

A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (e.g., an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

Dividend Cover

Profit after tax divided by gross dividends. This ratio measures the number of times dividend is covered by the current year's distributable profits.

Dividend Yield

Dividend earned per share as a percentage of its market value.

Documentary Letters of Credit

Written undertakings by a bank on behalf of its customers, authorising a third party to draw on the Bank up to a stipulated amount under specific terms and conditions. Such undertakings are established for the purpose of facilitating international trade.

E

Earnings per Share (EPS)

The profit attributable to each ordinary share in the Bank, based on the profit for the period after tax and after deducting minority interest and preference share dividends.

Economic Value Added (EVA)

A measure of productivity which takes into consideration cost of total invested equity.

Effective Interest Rate (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Effective Tax Rate (ETR)

Provision for taxation excluding deferred tax divided by the profit before taxation.

Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities.

Events after the Reporting Period

Events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

Expected Credit Loss (ECL)

The weighted average of credit losses with the respective risks of a default occurring as the weights.

Glossary

Exposure at Default (EAD)

The amount that a bank is exposed to at the time of default of its borrower.

F

Fair Value

Fair value is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Financial Instrument

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial Assets Measured at Amortised Cost

A financial asset is measured at amortised cost if the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)

A financial asset/liability acquired incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or a derivative (except for a derivative that is a financial guarantee contract).

Financial Assets Measured at Fair Value Through Other Comprehensive Income (FVOCI)

Financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Finance Lease

A lease in which the lessee acquires all the financial benefits and risks attaching to ownership of whatever is being leased.

Foreign Exchange Contract

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

Foreign Exchange Income

The realised 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.

G

Global Reporting Initiatives (GRI)

The GRI is an international independent standards organisation that helps businesses, governments and other organisations to understand and communicate their impacts on issues such as climate change, human rights and corruption. GRI promotes sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

Going Concern

The financial statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

Gross Dividend

The portion of profits distributed to the shareholders including the tax withheld.

Group

A group is a parent and all its subsidiaries.

Guarantees

A promise made by a third party (guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfil the contractual obligations.

H

Hedging

A strategy under which transactions are effected with the aim of providing cover against the risk of unfavorable price movements (interest rate, foreign exchange rate, commodity prices, etc.).

High Quality Liquid Assets (HQLA)

Assets that are unencumbered, liquid in markets during a time of stress and, ideally, be Central Bank eligible. These include, for example, cash and claims on Central Governments and Central Banks.

I

Impaired Loans

Loans where the group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Impairment Allowance

Impairment allowance is a provision held as a result of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified as individual (specific) or collective (portfolio).

Intangible Asset

An identifiable non-monetary asset without physical substance held for use in the production/supply of goods/services or for rental to others or for administrative purposes.

Interest Spread

This represents the difference between the average interest rate earned and the average interest rate paid on funds.

Investment Properties

Investment property is property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use or sale.

K

Key Management Personnel (KMP)

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including

any Director (whether executive or otherwise) of that entity.

L

Lifetime Expected Credit Losses

The expected credit losses that result from all possible default events over the expected life of a financial instrument.

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 and Treasury Bills and Bonds.

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)

The percentage of an exposure that a lender expects to not recover in the event of default.

Lease Liabilities

Present value of contractual lease payments.

Loan-to-Value Ratio (LTV)

The LTV ratio is a mathematical expression which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

M

Market Capitalisation

The value of a company obtained by multiplying the number of issued shares by its market value as at a date.

Market Risk

This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the decisions of users of Financial Statements.

N

Net Asset Value per Share

Shareholders' funds divided by the number of ordinary shares in issue.

Net Interest Income (NII)

The difference between the amount a Bank earns on assets such as loans and securities and what it pays on liabilities such as deposits refinance funds and inter-bank borrowings.

Net Interest Margin (NIM)

The margin is expected as net interest income divided by average interest earning assets.

Net Stable Funding Ratio (NSFR)

Measures the amount of longer 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.

Non-Controlling Interest (NCI)

Non-Controlling Interest is the equity in a subsidiary not attributable directly or indirectly to a parent.

Nostrro Account

A bank account held in foreign country by a domestic bank, denominated in the currency of that country. Nostrro accounts are used to facilitate the settlement of foreign exchange trade transactions.

O

Off-Balance Sheet Transactions

Transactions that are not recognised as assets or liabilities in the Statement of Financial Position but which give rise to contingencies and commitments.

Open Credit Exposure Ratio

Total net non-performing loans and advances expressed as a percentage of equity.

Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

P

Parent

A parent is an entity that has one or more subsidiaries.

Past Due

A financial asset is past due when counterparty has failed to make a payment when that payment was contractually due.

Price-Earnings Ratio (P/E Ratio)

The current market price of the share is divided by the earnings per share of the Bank.

Price to Book Value

Market price of a share divided by the net assets value of a share.

Probability of Default (PD)

The likelihood of a default over a particular time horizon. It provides an estimate of the probability that a borrower will be unable to meet its debt obligations.

Provision Cover

Total provisions for loan losses expressed as a percentage of net non-performing loans and advances before discounting for provisions on non-performing loans and advances.

R

Related Parties

Parties where one party has ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related Party Transaction (RPT)

RPT is a transfer of resources, services or obligations between a reporting entity and a related party, regardless whether a price is charged.

Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

Return on Average Assets (ROA)

Net income expressed as a percentage of average total assets, used along with ROE, as a measure of profitability and as a basis of intra-industry performance comparison.

Return on Equity (ROE)

Net income, 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.

Reverse Repurchase Agreement

Transaction involving the purchase of securities by a bank or a dealer and resale back to the seller at a future date at a specified price.

Risk-Weighted Assets

Used in the calculation of risk-based capital ratios. The face amount of lower risk assets is discounted using risk weighting factors in order to reflect a comparable risk per Rupee among all types of assets. The risk inherent in off-balance sheet instruments is also recognised, first by adjusting notional values to Statement of Financial Position (or credit) equivalents and then by applying appropriate risk weighting factors.

Right-of-use Asset

An asset that represents a lessee's right to use an underlying asset for the lease term.

S

Securities Sold Under Repurchase Agreement (Repo)

This relates to Treasury Bills and Bonds sold subject to a commitment to repurchase them at a predetermined price on a specified future date. Securities purchased under resale agreement (reverse REPO). These are loans collateralized by the purchase of Treasury Bills and/or guaranteed commercial papers from the counterparty to which the loans are granted. The sale by the counterparty is subject to a commitment by the Bank to sell back the underlying debt securities to the borrower at a predetermined price on a specific future date.

Segment Reporting

Disclosure of the Bank's assets, income and other information, broken down by activity and geographical area.

Shareholders' Funds/Equity

Total of issued and fully paid share capital and capital and revenue reserves.

Single Borrower Limit

30% of Total Regulatory Capital.

Statutory Reserve Fund

A capital reserve created as per the provisions of the Banking Act No. 30 of 1988.

Subsidiary Company

A subsidiary is an enterprise that is controlled by another enterprise (known as the parent).

Significant Increase in Credit Risk (SICR)

According to SLFRS 9, an entity should assess whether the risk of default on

a financial instrument has increased significantly since initial recognition. The assessment should consider reasonable and supportable information that is relevant and available without undue cost or effort.

T

Tier 1 Capital (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.

Tier 1 Capital (Additional Tier 1 Capital - AT I)

Additional Tier 1 Capital (AT I) is a component of Tier 1 Capital that comprises securities that are subordinated to most subordinated debt, which have no maturity, and their dividends can be cancelled at any time.

Tier 2 Capital

Capital representing revaluation reserves, general provisions and other capital instruments, which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

Total Capital

Capital base is summation of the core capital (Tier 1) and the supplementary capital (Tier 2).

U

Undrawn Credit Lines

Credit facilities approved but not yet utilized by the clients as at the reporting date.

Useful Life

Useful life is the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

V

Value Added

Wealth created by providing banking and other services less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to Government by way of taxes and retained for expansion and growth.

Vostro Account

A local currency account maintained by a local bank for a foreign (correspondent) bank.

Y

Yield to Maturity

Discount rate at which the present value of future payments would equal the security's current price.

12-Month Expected Credit Loss

The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

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හිතවත් පාර්ශ්වකරුවන් වෙතයි,

අප බැංකුවේ 36 වැනි මහ සහ රැස්වීමට ඔබ සැම සාදරයෙන් පිළිගන්නෙමි. ආර්ථික ස්ථාවරත්වය ක්‍රමිකව යථා තත්ත්වයට පත්වීමේ සුභ ලක්ෂණ පෙන්නෙතර අතර, සුපරික්ෂාකාරීව සුභවාදී බවට මුල් තැන දිය යුතුව ඇත්තේ, ආර්ථික අභියෝගයන්ගේ පශ්චාත් අහිටු විපාක අපගේ ක්ෂේත්‍රය පුරා තවමත් ප්‍රතිරාව දෙන හිසාවෙනි.

බැංකුව සතු වහා ක්‍රියාකාරී වීමේ හැකියාව වඩ වඩාත් පිරික්සන්නට මෙන්, 2022 වසර උදා වූයේ ද, ඉමහත් ව්‍යසනකාරී සිදුවීම් දිගින් දිගටම පෙළ ගැසුණු කාලවකවානුවක තවත් වසරක් ලෙසින් බව අපට තොරහසකි. කරුණු වශේ වුවත්, අවදානම් ගැන දැනුවත් භාවයෙන් සහ එකී අවදානම් කළමනාකරණයට සුදුසු පියවර ගැනීමෙන්, අනවශ්‍ය ප්‍රතිවිපාක මතු වීම මගහරවා ගෙන ආයතනය සුරක්ෂිත කරගැනීමට අප සමත් විය.

2021 වසරේ අප උපදවා ගත් වේග ශක්තිය මගින්, ඊට පෙර දෙවසරේ පැවැති පශ්චාත් වසංගත තත්ත්වයෙන් කුලුගැස්වුණු ආර්ථික අභියෝගයන්ට නොබියව මුහුණ දෙමින්, 2022 වසරට අප පිය මාසයන් වඩාත් සුභවාදී හැඟීම් පෙරදැර කරගෙන ය.

ඒ කෙසේ වුවත්, මතු වූ අහිටු බලපෑම් අවම කරගැනීමටත්, දිගින් දිගටම විරෝධී වටිනාකම් නිර්මාණය කරගැනීමටත් හැකි වූයේ, බැංකුවේ පෙන්නුම් කළ දුරදර්ශී බවත්, ඒ අනුව ගන්නා ලද කාලානුරූප පියවරන් හේතුවෙන් බවට වන සාක්ෂි මෙම වාර්තාවෙන් පෙන්නුම් කෙරෙයි.

ක්‍රියාකාරී පියවර සහ අහිටු බලපෑම් හා බැඳී අවදානම් අවම කිරීම

අභියෝගයන්ගේ පූර්ව ලක්ෂණ කල් තිසා දැකගැනීමට ක්‍රියාකාරී ලෙස කටයුතු කිරීමේ හැකියාව බැංකුවේ කළමනාකාරිත්වය සතුව පැවතියි. ඒ අනුව, ඒවා අවම කිරීමට සහ කළමනාකරණය කිරීමට සුදුසු පරිදි මගපෙන්වීමට කටයුතු කෙරිණි. ඊට ඉහත කාලවකවානුවේ දී, බැංකුව බහුවිධ අභියෝගයන්ට මුහුණ දී ලද පරිණත භාවයන් පළපුරුද්දත් හරහා, 2022 වර්ෂයේ මතු වූ ආ කැපීම්ලත් සහිත කාලයන්ට සාර්ථකව මුහුණ දීමේ හැකියාවන් මුඛතත් කරගෙන තිබිණි. එහෙයින්, සමාලෝචනයට ලක් කෙරෙන මෙම වර්ෂය මුහුණ දුන් ආර්ථික තත්ත්වය, අන් කිසිදු වසරක ආර්ථික තත්ත්වයක් හා සම කළ නොහැකි තරමටම සුවිශේෂී ය.

අභියෝගයන් සම්බන්ධයෙන් කටයුතු කිරීමේදී උචිතව ක්‍රියාමාර්ග වෙත වළඹීමේ හැකියාව බැංකුවට ලැබුණේ, එකී ක්‍රියාකාරී පියවර හරහා ය. මෙම වාර්තාවේ ඉදිරිපත් කර ඇති බැංකුවේ මූල්‍ය කාර්යසාධනයෙන් එම කරුණු මනාව පෙන්නුම් කෙරෙයි.

බැංකුවෙහි මූලික අවධානය සෑම විටම යොමු වූයේ අවදානම් කළමනාකරණය වෙත වුවද, 2022 දී එම තත්ත්වය වඩාත් හිටි වූයෙන්, අවදානම් පිළිබඳ වැඩි දැනුවත් භාවයන් ඇති කිරීමට සහ ඒ සම්බන්ධ අවදානම් අවම කිරීම පිණිස වන ක්‍රියාමාර්ග ගැනීමට අප වසර පුරාම එක සේ කටයුතු කරන ලදී.

මූල්‍යමය වශයෙන් ඔරොත්තු දීමේ හැකියාව

බැංකුවේ දුරදර්ශී කළමනාකරණ ප්‍රවේශය මගින් ව්‍යාපාරය මනාව සහ ආරක්ෂිත අයුරින් අඛණ්ඩව පවත්වාගෙන යාම සහතික කෙරුණේ, ලාභදායීත්ව වර්ධනය සහ ද්‍රවශීලතාව වෙත හිසි සැලකිල්ල යොමු කරමිනි.

එසේම, මෙහෙයුම් කාර්යක්ෂමතාව සහ මනා අවදානම් කළමනාකරණය හරහා ලාභදායීත්වය ළඟා කරගනිමින්, හා අප්‍රමාදව ප්‍රතිපාදන

සලසමින්, ප්‍රමාණවත් ද්‍රවශීලතාවක් පවත්වාගෙන යාම හරහා ස්ථාවරත්වය කෙරෙහි අවධානය යොමු කෙරුණි.

බැංකුවේ ප්‍රාග්ධන මට්ටම, නියාමන අවමයට ඉහළින් පවතින අතරතුර පළමු පෙළ ප්‍රාග්ධන ස්ථරය තවදුරටත් ඉහළ නැංවීමේ අවශ්‍යතාව වෙත බැංකුව අවධානය යොමු කරනු ඇති බව ද මෙහිදී සඳහන් කළ යුතු වේ. ප්‍රායෝගික අත්දැකීම් අවශ්‍ය අවස්ථාවන් හි ප්‍රාමාණික ප්‍රතිපාදන සලසමින් වුවද, මෙම වසරේ දී සිදු කළ ඉපැයීම් බැංකුවේ ඉදිරි ගමනට ශක්තියක් වන බවට සැලකිය හැකි වේ.

කාර්යසාධනය පිළිබඳ විශ්ලේෂණය

ඉමහත් පිවිතුණයක් පෙන්නුම් කරමින් අප කණ්ඩායම නොපමාව, විකාවන් ව පෙරට පැමිණ බැංකුවේ විදිනෙදා කටයුතු කිසිදු බාධාවකින් තොරව සිදු වන බව සහතික කිරීමට අවශ්‍ය පියවර ගත් අයුරු සැබවින්ම පැහැදිලි ය. සේවා ගුණාත්මක භාවය පිළිබඳව අප බැංකුව අත්පත් කරගෙන තිබෙන කිරිතිනාමය වලෙසින්ම පවත්වාගෙන යාමට ඔවුන්ගේ එම කැපවීම බෙහෙවින් ඉවහල් විය.

පිරිවැය ඉහළ යාම් සහ වෙනත් බාධාවන් පැවතිය ද, අප ළඟා කරගත් මෙහෙයුම් කාර්යක්ෂමතාව අපේ ඉදිරි ගමනට මනා ස්ථාවරත්වයක් ලබාදෙනු ඇත.

ඩිජිටල්කරණය වෙත සාර්ථක අත්දැකීම් යොමු වීම තුළින් අපට පාරිභෝගිකයන් සමග සමීපව කටයුතු කරමින් ඔවුන්ට වැඩි පහසුවක් සැලසීමේ හැකියාව ලැබුණි.

එසේම, ප්‍රමුඛතාව මත පදනම් ව අනුකූලතාව, සයිබර් ආරක්ෂාව, ගනුදෙනුකරුවන්ගේ පුද්ගලිකත්වය සහ දත්ත ආරක්ෂණය වෙත විශේෂිත අවධානයක් යොමු කෙරුණි.

ඩිජිටල්කරණය වෙත අඛණ්ඩව ආයෝජනය කිරීමට අප දක්වන කැපවීම ඒ අයුරින්ම පවත්වාගෙන යන අතරම, ව්‍යාපාරික අවස්ථාවන් සහ වෙනත් නියාමන අවශ්‍යතාවන් සැලකිල්ලට ගනිමින්, එම අංශයෙහි යම් යම් ආයෝජන වෙත හැවත ප්‍රමුඛතාව ලබාදීමට අප අදහස් කරමි.

පාරිසරික, සමාජයීය සහ පාලනය (ESG) සහ නිරසා සංවර්ධන ඉලක්ක (SDG)

පාරිසරික, සමාජයීය සහ පාලන ප්‍රමිතීන් කෙරෙහි සිය කැපවීම නිරන්තරයෙන්ම වැඩිදියුණු කිරීමට බැංකුව කටයුතු කරන ලද්දේ, ආයතනික පාලනය පවත්වාගෙන යමින් එකී වැඩිදියුණුවට කටයුතු කරන අතරම, සිය මෙහෙයුම් සහ ව්‍යාපාරික ක්‍රියාකාරකම් වල දී පරිසර හිතකාමී බව පවත්වාගෙන යාමත්, විවිධත්වයට, සමානාත්මතාවට සහ ඇතුළත් භාවයට මුල්තැන දෙන බවත් සහතික කිරීමටයි.

ඉදිරි වසර 10 සඳහා 'නිරසා ක්‍රමෝපායයන්' සංවර්ධනයට සහ විය බැංකුවේ ආයතනික ක්‍රමෝපායයන්ට විකාශිත කිරීම උදෙසා බාහිර උපදේශකවරයෙකු බඳවා ගැනීම, පසුගිය වසරේ අප සිදු කළ තවත් එක් වැදගත් කාර්යයකි. අපගේ මූලික බැංකුකරණයේ ප්‍රධානතම කොටසක් ලෙසට ESG/SDG සමීප කරගැනීමට අප තුළ ඇති කැමැත්ත හා ඕනෑම කොපමණදැයි විමසින් පෙන්නුම් කෙරෙනු ඇත.

අධ්‍යක්ෂ මණ්ඩලයේ තාරකාරත්වය

2022 වර්ෂයේ දී එකිනෙකට වෙනස් තත්ත්වයන් යටතේ බැංකුවට අඛණ්ඩව මුහුණ පාන්නට සිදු වූ බහුවිධ අභියෝගයන් හමුවේ වුවද, වටිනාකම් නිරන්තරයෙන් රඳවා ගනිමින්, මධ්‍ය කාලීන හා දිගු කාලීන ඉලක්ක ගළපා ගනිමින්, සිය තාරකාරත්වය තුළිකාව මනා සේ පවත්වාගෙන යාමට අධ්‍යක්ෂ මණ්ඩලය සමත් විය.

තවද, ණය ගැනුම්කරුවන්ගේ පැත්තෙන් මතු විය හැකි දුර්වලතා හේතුවෙන් අපගේ ණය පොත් ලට පැන හැරීමට ඉඩකඩ පැවති ආතතීන් වළක්වා ගැනීම පිණිස බැංකුව කල්පනාකාරීව ප්‍රතිපාදන වෙන් කරන ලදී. ඉස්මතු විය හැකි අවාසිදායක අවදානම් සහගත තත්ත්වයන් පාලනය සම්බන්ධයෙන් පූර්ණ විවිධත්වය භාවයෙන් යුතුව ක්‍රියාත්මක වීමේ හැකියාව තමන් සතු බව බැංකුව ඒ හරහා පෙන්නුම් කළේ ය.

අනාගත දැක්ම

ආර්ථිකය වටා පවතින අභියෝගවලින් සැලකිල්ලට ගත් කල, කුමන තත්ත්වයක් නිර්මාණය වනු ඇතිදැයි ප්‍රයෝගිකව කිරීම තවමත් අසීරුය. එසේ නමුත්, අප සැබවම, ආර්ථිකයේ ප්‍රතිසාධනය පිළිබඳව සුපරික්ෂාකාරී, සුභවාදී බවින් යුතු වීම වැදගත් වේ.

අගයුම් සහ ස්තූතිය

තවත් අභියෝගාත්මක කාලවකවානුවක නිමාවත් සමග තවත් වසරකට අප පා තබන මේ මොහොතේ, සියලු පාර්ශ්වකරුවන් වෙත වටිනාකම් එකතු කෙරෙන අත්දැකීම්, සෙලාත් බැංකුවේ සමස්ත කණ්ඩායම ඉමහත් උනන්දුවෙන් හා දැඩි කැපවීමෙන් සිය රාජකාරියේ නියැලෙමින් ඉටු කළ මහඟු මෙහෙය අගය කිරීමට සහ අවස්ථාවක් කරගනිමි.

එක දිගට මතු වෙමින් ආ අභියෝග පරයමින් බැංකුව ජයවැඩ වෙත ගෙන යන්නට අප්‍රතිභාව කෙරෙහි යෙදවූ යුතුව ලබාදෙන හායකත්වය සම්බන්ධයෙන් අධ්‍යක්ෂ/ප්‍රධාන විධායක නිලධාරී, කපිල ආරච්චන් මහතාට මාගේ විශේෂ ස්තූතිය පිරිනමමි.

විධිමත සතු ප්‍රවීණත්වය, පළපුරුද්ද සහ ඉදිරි දැක්ම ආදී අමුල ගුණාංග එකට මුසු කරමින්, බැංකුවේ ප්‍රගතිය උදෙසා වනාහිර දායකත්වය ලබාදෙමින් මා සමග එකට කටයුතු කරන අධ්‍යක්ෂ මණ්ඩලය වෙත ද මාගේ අවිඛ ස්තූතිය පුද කරමි. තවද, මෙම කාර්යයන් වඩාත් සාර්ථකව සහ ශක්ති සම්පන්න ලෙස ඉටු කිරීම සඳහා අධ්‍යක්ෂ මණ්ඩල අනු කමිටු විසින් ලබා දුන් දායකත්වය මම බෙහෙවින් අගය කරමි.

මා සමග එකට කටයුතු කළ, පසුගිය වසරේ සෙලාත් බැංකුව සමග සිය නව වැඩි සේවා වර්ෂය සමීපව කර, විශ්‍රාම ගත ලද, හියෝජ්‍ය සහාපති, කපිල ජයවර්ධන මහතාට, සහ පෙණ්ණි අධ්‍යක්ෂක, එම්. කොරලි පීටර්ස් මෙහෙවියට අධ්‍යක්ෂ මණ්ඩලය වෙනුවෙන් මාගේ ස්තූතිය පිරිනමමි සහ උණුසුම් සුභ පැතුම් සහිතව සිටිමට මෙය අවස්ථාවක් කරගනිමි. ඔවුන්ගේ සේවා කාලයන් තුළ බැංකුව වෙත දී ඇති දායකත්වය ඉහළින්ම අගයමි.

මෙවැනි අභියෝගාත්මක කාලවකවානු වල දී අප වෙත අඛණ්ඩ සහය ලබාදීම ගැන අපගේ කොටස්හිමියන්, ගනුදෙනුකරුවන් සහ අනෙකුත් පාර්ශ්වකරුවන් සැමදෙනා වෙතම හද පිරි ස්තූතිය පුද කරන්නට මෙය අවස්ථාවක් කරගනිමි.

නිරන්තර මගපෙන්වීම සහ සහය ලබාදීම වෙනුවෙන් ශ්‍රී ලංකා මහ බැංකුව වෙත ද මාගේ කෘතඥතාව පළ කරමි.

අපගේ පාර්ශ්වකරුවන් සැමට වාසනාවන්ත අනාගතයකට සුභපැතුමි!



ඩිලන් ජේ. ආර්. එස්. ඩයස්
සහාපති

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தலைவரின் செய்தி

அன்பான பங்காளர்களே,

பொருளாதார ஸ்திரத்தன்மையை படிப்படியாக மீட்டுவதற்கான அறிவுறுத்தல்களை நாம் காணத் தொடங்குகிறோம் என்பது நன்மையுடைய அடையாளம் என்றபோதிலும் பொருளாதார சவால்களின் பின்விளைவுகள் வங்கியின் செயல்பாட்டில் இன்னும் எதிரொலித்துக்கொண்டிருக்கும் இத்தருணத்தில் வங்கியின் 36ஆவது ஆண்டுப் பொதுக் கூட்டத்திற்கு நான் உங்களை எச்சரிக்கையுடைய நம்பிக்கை உணர்வுடன் வரவேற்கிறேன்.

அபாயங்கள் பற்றி அறிந்துகொள்வதிலும், தேவையற்ற தாக்கங்களிலிருந்து நிறுவனத்தை பாதுகாக்கும் முகமாக அத்தகைய அபாயத்தை நிர்வகிப்பதற்கு தேவையான நடவடிக்கைகளை எடுப்பதிலும் வங்கியின் உறுதியை பரிசீலிக்கும் வண்ணம் 2022 அபாயமிக்க நிகழ்வுகளின் ஆண்டுத் தொடரில் மேலும் ஒரு ஆண்டாக மாறியது.

கடந்த இரண்டு ஆண்டுகளில் சர்வதேச நோய்ப்பரவலுக்கு பின்னர் தூண்டப்பட்ட பொருளாதார சவால்களைக் கடந்து, 2021ல் நாங்கள் தீர்ப்பு உந்துசக்தியை கட்டியெழுப்ப அதிக நம்பிக்கையுடன் 2022ல் காலடி எடுத்து வைத்தோம்.

இருப்பினும், வங்கியால் வெளிப்படுத்தப்பட்ட தேவையற்ற தாக்குதல் பார்வையும் அதைத் தொடர்ந்து சரியான நேரத்தில் எடுக்கப்பட்ட நடவடிக்கைகளும் பாதிப்புக்களைக் குறைத்து, நீடித்த மதிப்பை உருவாக்க உதவியது. அதற்கான சான்றுகள் இவ்வறிக்கையில் கோடிட்டுக் காட்டப்பட்டுள்ளன.

செயலாக்கமான நடவடிக்கைகள் மற்றும் அதனுடன் தொடர்பான ஆபத்தைத் தணித்தல்

வங்கியின் நிர்வாகம், சவால்களின் ஆரம்ப அறிவுறுத்தல்களை கணிப்பதில் முனைப்புடன் செயற்பட்டதுடன் அவற்றைத் தணிக்க உரிய நடவடிக்கைகளை எடுத்தது. இதற்கு முன்னர் பல சவால்களை சந்தித்த வங்கி, 2022ல் ஏற்பட்ட கடினமான காலங்களை கையாள்வதில் முதிர்ச்சியையும் அனுபவத்தையும் வெளிப்படுத்தியபோதும், மதிப்பாய்விற்கு உட்பட்ட ஆண்டில் பொருளாதாரம், எதிர்கொண்டது முற்றிலும் தனித்துவமானது அபூர்வமானது ஆகும்.

இத்தகைய செயலாக்கமான நடவடிக்கைகள், சவால்களை சமாளிப்பதற்கான சிறந்த நடவடிக்கையை எடுப்பதற்கு வங்கிக்கு உதவியது. இவ்வறிக்கையில் வழங்கப்பட்டுள்ள வங்கியின் வட்ட நிதிச் செயல்திறனில் இது பிரதிபலிக்கின்றது.

இடர் முகாமைத்துவம் எப்போதுமே வங்கியின் மையக் கவனமாக இருந்தபோதிலும், 2022ல் அதிக இடர் விழிப்புணர்வு மற்றும் ஆண்டு முழுவதும் அதனுடன் தொடர்புடைய ஆபத்தைத் தணிக்க எடுத்த நடவடிக்கைகளால் இது மேலும் அதிகரித்துள்ளது.

நிதி நெகிழ்ச்சி

வங்கியின் விவகமான நிர்வாக அணுகுமுறை இலாபம், வளர்ச்சி வேகம் மற்றும் போதுமான பணப்புழக்கம் ஆகியவற்றில் கவனம் செலுத்தி நிலையான மற்றும் பாதுகாப்பான வணிகத் தொடர்ச்சியை உறுதி செய்தது.

கணிசமான மதிப்பீறக்க ஏற்பாடு மற்றும் போதுமான பணப்புழக்கத்தை பராமரித்ததன் ஊடாக ஸ்திரத்தன்மையை பேணிய அதேவேளை செயற்பாட்டுத்திறன் மற்றும் முழுமையான இடர் முகாமைத்துவம் மூலம் இலாபத்தை அடைவதில் கவனம் செலுத்தப்பட்டது.

வங்கியின் மூலதன அளவு, ஒழுங்குமுறையின் குறைந்தபட்ச அளவை விட அதிகமாக உள்ளமை குறிப்பிடும்படியாக உள்ளதுடன்

வங்கியின் மொத்த (படி1) மூலதனத்தை மேலும் வலுவூட்டுவதில் கவனம் செலுத்தப்படும். சாதுரியமான முறையில் கணிசமான மதிப்பீறக்க ஏற்பாடுகளை உருவாக்கிய போதும் வங்கியின் இவ்வருட வருமானம் முன்னோக்கிச் செல்வதற்கான பலமாகக் கருதப்படலாம்.

செயல்திறன் மீதான கண்ணோட்டம்

வங்கியின் அன்றாடச் செயற்பாடுகள் எவ்வித இடையூறமின்றி தொடர்ந்து நடைபெறவும், வங்கியின் அறியப்பட்ட சேவைத் தரத்தை வழங்கவும் குழு எவ்வாறு விரைவாக ஒன்றிணைந்து மிகுந்த உற்சாகத்தை வெளிப்படுத்தியது என்பது பாராட்டத்தக்கது.

செலவுப் பணவீக்கம் மற்றும் பிற இடையூறுகள் மத்தியிலும் ஆண்டில் அடைந்த செயற்பாட்டுத் திறன் முன்னோக்கி நகர்வதில் நன்மை அளிக்கும்.

புஜிட்டில் மயமாக்கலுக்கான எங்களின் முற்போக்கான மாற்றம் வாடிக்கையாளர்களுடன் நெருக்கமான இணைப்பை பேணி அதிக வாடிக்கையாளர் வசதியை வழங்குகிறது.

முன்னுரிமை அடிப்படையில் இணக்க உருவாக்கம், இணையப் பாதுகாப்பு, வாடிக்கையாளர் தனியுரிமை மற்றும் தரவுப்பாதுகாப்பு ஆகியவற்றிற்கு சிறப்பு முக்கியத்துவம் கொடுக்கப்பட்டது.

புஜிட்டில் மயமாக்கலில் தொடர் முதலீடுகளுக்கான எங்கள் அர்ப்பணிப்பு உறுதியானதாக இருக்கும் அதேவேளையில், வணிக வாய்ப்புக்கள் மற்றும் பிற ஒழுங்குமுறைத் தேவைகளைக் கருத்திற் கொண்டு இந்தப் பகுதியில் சில முதலீடுகளுக்கு மீண்டும் முன்னுரிமை அளிக்கலாம்.

கற்றுச்சூழல், சமூகம் மற்றும் நிர்வாகம் (ESG) மற்றும் நிலையான அபிவிருத்தி இலக்குகள் (SDG)

வங்கி, அதன் செயற்பாடு மற்றும் வணிக நடவடிக்கைகள் காலநிலைக்கு ஏற்புடையதாக இருப்பதை உறுதிப்படுத்துவதுடன் பன்முகத்தன்மை, சமத்துவம் மற்றும் உள்ளடக்க வளர்ச்சி மற்றும் மேல்நிறுவன நிர்வாகப் பராமரிப்பு மற்றும் மேம்படுத்தல் ஊடாக கற்றுச்சூழல், சமூக மற்றும் நிர்வாகத் தரங்களுக்கான அதன் உறுதிப்பாட்டை தொடர்ந்து மேம்படுத்தி வருகிறது.

கடந்த ஆண்டு மேலும் ஒரு படியாக, வங்கிக்கு அடுத்த 10 ஆண்டுகளுக்கு ஒரு "நிலையான உத்தி" யை உருவாக்க உதவ ஒரு வெளி ஆலோசகரையும் நியமித்துள்ளோம். வங்கியின் முக்கிய பகுதியாக ESG/SDG உள்ளவாங்க எமது தயார் நிலையை பிரதிபலிக்கும் முகமாக அதனை வங்கியின் நிறுவன முலோபாயத்தில் உட்பொதிக்க தயாராக உள்ளோம்.

இயக்குனர் சபைப் பொறுப்புணர்வு

2022ஆம் ஆண்டில் பல்வேறு சூழ்நிலைகளின் மத்தியில் வங்கி கடக்க வேண்டிய பல சவால்கள் இருந்தபோதிலும், நடுத்தர மற்றும் நீண்டகால இலக்குகளை சீரமைத்து, நிலையான மதிப்பை வழங்குவதில் இயக்குனர் சபை அதன் பொறுப்புணர்வுப் பங்கை வகித்தது.

மேலும், வங்கியானது அதன் கடன் புத்தகத்தில் பலவீனமான கடன் வாங்குபவரின் சுயவிவரங்களின் விளைவாக உருவாக்கக்கூடிய சாத்தியமான அழுத்தங்களுக்கான உகந்த ஏற்பாடுகளை உணர்வுபூர்வமாக ஒதுக்கியுள்ளமை சாத்தியமான எதிர்மறை அபாயங்களை நிர்வகிப்பதில் வங்கி நடைமுறைப்படுத்திய முழுமையான விவகத்தை பிரதிபலிக்கிறது.

எதிர்காலக் கண்ணோட்டம்

பொருளாதாரத்தை சூழ்ந்துள்ள நிச்சயமற்ற நிலைமைகளின் அடிப்படையில் நிலைமை எவ்வாறு பரிணமிக்கும் என்பதைக் கணிப்பது கடினமாக இருந்த போதிலும், பொருளாதாரத்தின் மீட்சியைப் பற்றி ஒருவர் எச்சரிக்கையுடனான நம்பிக்கையுடன் இருக்க வேண்டும்.

பாராட்டுக்களும் நன்றிகளும்

மற்றுமொரு சவாலான காலகட்டத்தை நிறைவு செய்து, மற்றொரு வருடத்தில் காலடி எடுத்து வைக்கும் இச்சந்தர்ப்பத்தில், அனைத்து பங்குதாரர்களுக்கும் பெறுமதி சேர்ப்பதில் கடின உழைப்பையும் உறுதியான அர்ப்பணிப்பையும் வெளிப்படுத்திய முழு செலான் வங்கிக்கு குழுவினரும் நன்றி மற்றும் பாராட்டுக்களை நான் தெரிவித்துக் கொள்கிறேன்.

வங்கியை மீண்டும் மீண்டும் சவால்களுக்கு மத்தியில் வழிநடத்தும் உறுதியான தலைமைத்துவத்திற்காக பணியாளர்/பிரதம நிறைவேற்று அதிகாரியான திரு. கபில ஆரியர்தன்மை நான் விசேடமாகப் பாராட்டுகிறேன்.

இயக்குனர் குழுமத்தில் எனது சக ஊழியர்களின் விலைமதிப்பற்ற ஒருங்கிணைந்த நிபுணத்துவம், அனுபவம் மற்றும் நுண்ணறிவு ஆகியவற்றிற்கு எனது மனமார்ந்த நன்றியைத் தெரிவிக்க விரும்புகிறேன். மேலும், இந்தப் பயணத்தை வலுவாகவும் ஆரோக்கியமாகவும் மாற்ற உதவிய அனைத்து துணைக் குழுக்களின் பங்களிப்பையும் நான் பெரிதும் பாராட்டு வேண்டும்.

கடந்த வருடம், தமது ஒன்பது வருடப் பதவிக் காலத்தை நிறைவு செய்த எனது சகாக்களான திரு.கபில ஜெயவர்தன - பிரதித் தலைவர், திருமதி.எம்.கொலி பிற்றன்ஸ் - சிரேஷ்ட பணியாளர் ஆகியோருக்கு இயக்குனர் குழுவின் சார்பாக நன்றிகளைத் தெரிவித்துக் கொள்கிறேன். அவர்கள் பதவிக் காலத்தில் ஆற்றிய பங்களிப்பு மிகவும் பாராட்டத்தக்கது.

இச்சந்தர்ப்பத்தில், இச்சவாலான காலகட்டங்களில் தங்களின் அளவற்ற ஆதரவை வழங்கிய பங்குதாரர்கள், வாடிக்கையாளர்கள் மற்றும் பிற பங்காளர்களுக்கு நன்றி தெரிவிக்கின்றேன்.

மத்திய வங்கி அதிகாரிகளின் தொடர்ச்சியான வழிகாட்டல் மற்றும் உதவிக்கு எனது நன்றிகளையும் தெரிவித்துக்கொள்கிறேன்.

எங்கள் பங்காளர்கள் அனைவருக்கும் ஒரு சிறந்த ஆண்டுக்கான நல்வாழ்த்துக்கள் உரித்தாகட்டும்!

டபுள்யூ. எம். ஆர். எஸ். டபுள்யூ தலைவர்

22 பெப்ரவரி 2023

Corporate Information

Name of Company

Seylan Bank PLC

Company Registration Number

PQ 9

Registered Office and Head Office

"Seylan Towers"
No.90, Galle Road, Colombo 03,
Sri Lanka
Tel: (94)-(11)-2456000
Fax: (94)-(11)-2456456
Swift: SEYBLKLX
E-mail: info@seylan.lk
Website: www.seylan.lk

Legal Form

A public limited liability company incorporated in Sri Lanka on 28 August 1987 under the Companies Act No.17 of 1982 and re-registered under the Companies Act No. 7 of 2007 on 30 May 2007. Commenced business operations as a Licensed Commercial Bank regulated under the Banking Act No.30 of 1988 (as amended) on 24 March 1988. Company was listed in the Colombo Stock Exchange on 5 January 1989.

Colombo Stock Exchange Listing

The Bank's Ordinary Voting Shares, Ordinary Non-voting Shares and the Rated, Unsecured, Subordinated, Redeemable Debentures issued in the years 2016, 2018, 2019 and 2021 were listed on the Colombo Stock Exchange.

Accounting Year End

31st December

Credit Rating

The Bank has been assigned "A- (Ika)/RWN" National long term rating by Fitch Ratings Lanka Limited.

Board of Directors

Mr W M R S Dias
Chairman/Non-Executive Director

Mr Kapila P Ariyaratne
Director/Chief Executive Officer

Mr S Viran Corea
Non-Executive Director

Mr Anushka S Wijesinha
Independent Director/Senior Director

Ms Sandya K Salgado
Independent Director

Mr D M D Krishan Thilakaratne
Non-Executive Director

Mr D R Abeyesuriya
Independent Director

Mr D M Rupasinghe
Independent Director

Mr L H A Lakshman Silva
Independent Director

Ms V G S Sunjeevani Kotakadeniya
Non-Executive Director

Ms Averil A Ludowyke
Independent Director

Company Secretary

Ms Saraswathie Poulraj
LL.B (Honours) [University of Colombo], LL.M [University of West London], MBA [University of Colombo], Attorney-at-Law

Auditors

M/s KPMG,
Chartered Accountants

Subsidiary

Seylan Developments PLC
(Company Registration No. PQ 151)
Level 15, "Seylan Towers",
No. 90, Galle Road, Colombo 03,
Sri Lanka

For any clarifications on this Report, please contact :

The Chief Financial Officer
Seylan Bank PLC
"Seylan Towers",
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Colombo 03,
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